EASTERN ECONOMIST

Vol. 70 - Part 1 - 1978

eastern ECONOMIST

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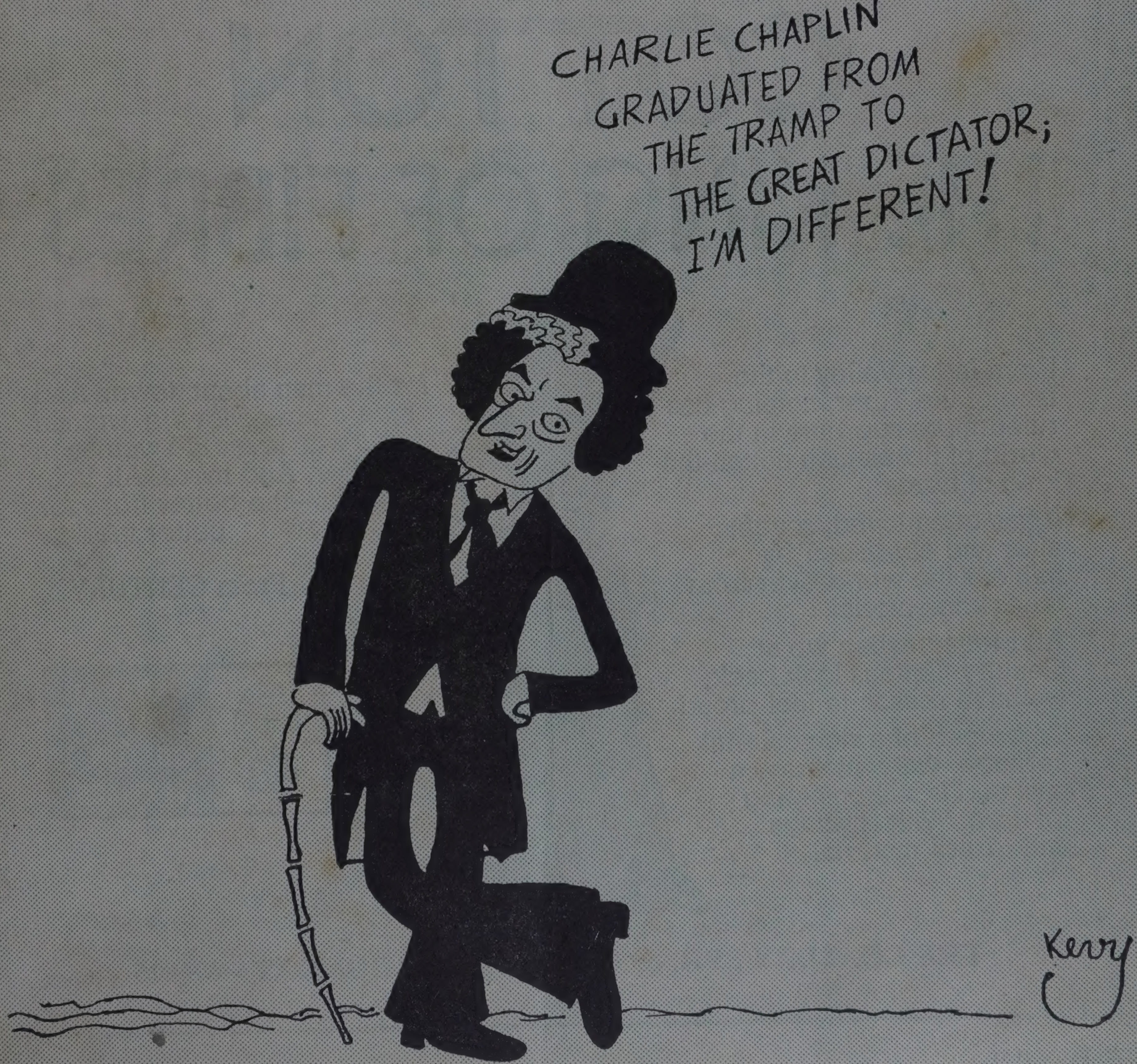
Vol. 70 JANUARY 6, 1978 No. 1


CHARLIE CHAPLIN GRADUATED FROM THE TRAMP TO THE GREAT DICTATOR; I'M DIFFERENT!
Kerry

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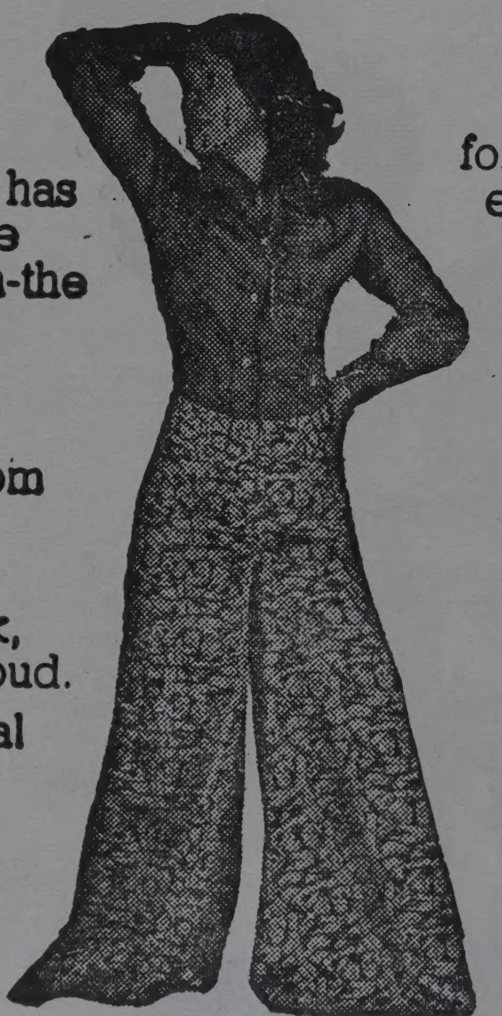
THE KING OF FIBRES



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Dialogue in Delhi

Warsaw, Tehran, New Delhi, Riyadh, Cairo, Brussels, Paris—and back to Washington. As the Carter itinerary made it clear, this was a business round-up. The US president had selected for his first extended foreign tour capitals demonstrably important to American strategic interests or diplomatic objectives. He and his advisers reportedly believe that the Polish government may have a useful role to play in the further development of East-West relations, as a "sounding board" between Washington and Moscow. The visit to Iran is self-explanatory; there is always so much to discuss and negotiate or to buy and sell between the Shah and any US president. Mr Carter has made no secret of what his interest is in New Delhi. On the eve of his tour, he said in Washington that he hoped to correct the pro-Soviet tilt given to India's foreign policy by the government of Mrs Indira Gandhi. Saudi Arabia is a country with which the US has found it most profitable to develop a certain mutuality of interests which is highly relevant to the oil and other politics of the Gulf region. There was some doubt in the beginning whether the US president would break journey at Cairo, but it now appears likely that his discussions with president Sadat, relating to the latter's initiatives for a settlement with Israel, could be the most important part of his confabulations abroad. In western Europe, besides reaffirming "the historic bonds and our common values", as he put it, president Carter presumably found a lot to talk or argue about "the common problems of the industrial democracies".

The US president, in other words, was after results. How successful he has been in his pursuit will not be immediately known. In New Delhi, his experiences, on the whole, should have been pleasant and perhaps even highly gratifying. There could have been no mistaking the friendliness of the people or their government. The prime minister, while quite properly affirming for the record India's good relations with the Soviet Union, responded warmly to president Carter's evident desire for greater cordiality and understanding between the US and India on the basis of their shared democratic faith and common allegiance to basic human values.

Personal diplomacy, however, has its clear limitations and there are always the hard facts of differing national interests or points of view which cannot be smiled away. President Carter wanting to write to Mr Desai from Washington a letter "just cold and very blunt" about India's objection to putting its signature to the Nuclear Non-proliferation Treaty therefore need cause us no shock or even surprise. Mr Desai's unruffled reaction was just right for the Carter remark indicated that there had been no make-believe about the discussions which the president and the prime minister had been holding on matters of much seriousness. The Carter offer to authorise deliveries of enriched uranium and heavy water for India's atomic energy installations served moreover to emphasize the basic attitude of cooperation, although its effect would have been greater had it been less obvious that the US government was making it a condition of its assistance to India's nuclear energy development that the latter should agree to the discriminatory special safeguards written into the Nuclear Non-proliferation Treaty. On balance it is certainly unfortunate that this issue got featured as an important point of departure in the dialogue in New Delhi.

In his address to members of parliament, the US president committed his administration generously to cooperation with our country in such matters of immense human importance as rural development and creation of rural employment. He suggested that US research could contribute to India's programmes for increasing agricultural productivity and exploiting agricultural potential, particularly through the more imaginative management of regional water resources.

There was, however, not much mention in reports or statements on the Carter-Desai talks of increased US participation in India's industrialization. The explanation is obvious. The postulates of our government's industrial policy definitely stand in the way of our nation securing full benefits from the capital which the US may be willing to invest in our industrial expansion. The government has been shouting from the housetop that the Indian economy can and will do without foreign capital and that the policy will therefore be to restrict foreign collaboration to the fields where sophisticated technology may be needed. In the wake of the Carter visit, the India-US Joint Commission discussed US contribution to Indian development in different fields, including "economic and commercial". There is, however, an air of unreality about such exercises which only the injection of more realism into the policy of our government towards foreign capital can get rid of.

Good, with ifs and buts

THE STATEMENT on industrial policy made in parliament on December 23 by the minister of Industry, Mr George Fernandes, is forthright in its definition of aims and objectives. The main thrust of the new policy will be in the direction of an effective promotion of cottage and small-scale industries widely dispersed in rural areas and small towns. The government will aim at ensuring that whatever can be produced by small and cottage industries must only be so produced. In the process, the further development of large-scale industries is to be relegated to a subordinate place.

The list of industries which would be reserved for development in the small-scale sector has been expanded and will now include more than 500 items as compared to 180 items earlier. This, however, is in reality neither a Maoist great leap backward nor a John Glenn giant step forward. The elaborate enumeration of the items in the new list is clearly intended to give an impression of great length. Actually, however, in many cases, small-scale industries are already active producers of the goods concerned and, given its advantages, the small-scale sector has shown fair ability to compete with large-scale production in these lines.

no menace

The larger area of production now sought to be reserved for development in the small-scale sector therefore does not in itself constitute a menace to an orderly and sufficient growth of the large-scale industrial sector as such, employing mass production methods geared to modern technology and business management. The statement no doubt provides for an annual review of reserved industries in order to ensure that the list is continually expanded, but this review could also frequently reveal the need for de-listing some of the industries now brought into the reserved field in cases where production in the small-scale sector proves either costly in price, inferior in quality or inadequate for meeting demands. Provided the annual review is undertaken in the right spirit, the surveillance mechanism need not always work in favour of the expansion of the reserved sector.

Within the small-scale sector, preference is to be given to what the Industry ministry has designated as the "tiny sector", which would consist of industrial units which have invested in machinery and equipment rupees one lakh or less and are situated in towns with a population of less than 50,000 according to the last census or in villages. Special schemes of financial assistance are to be drawn up for the benefit of the "tiny sector" as well as cottage and household industries. The statement promises special legislation with a view to ensuring that cottage and household industries which provide employment to large numbers get due recognition in our industrial development. The nature of this legislation has not been spelt out.

decentralised machinery

Indications, however, are given of promotional measures, which would aim at raising the efficiency and ensuring the economic viability of these sectors. The development machinery is to be decentralized through the setting up of an agency in each district to deal with all the requirements of small-scale and cottage industries. This agency will be called the District Industries Centre and the government proposes to cover all the districts in the course of the next four years. This network will undertake the investigation of raw materials and other resources, supply of machinery and equipment, provision of raw materials, arrangement for credit facilities and the setting up of marketing organisation. The statement attaches great importance to the objective that no worth-while scheme of small-scale or cottage industries is given up for want of credit.

The Industrial Development Bank of
India has already taken steps to
up a separate, wing to deal with the cre
requirements of these industries. This w
will coordinate, guide and monitor
entire range of facilities offered by ot
institutions for these sectors. The comm
cial banking system, particularly
nationalized banks, are now being asl
to organise separate wings for servic
the credit needs of these industr
Banks will be expected to earmark
specific proportion of their total advan
for the small-scale and cottage industr
sectors. Meanwhile the governor of
Reserves Bank has asked commerc
banks to extend financial assistance
capital investment in the small-scale sec
by charging a rate of interest not exceedi
11 per cent on term loans with maturity
not less than three years.

revamping KVIC

The statement notes that the Khadi a
Village Industries Commission has n
been effective in promoting the 22 villa
industries which come within its purvie
It promises that the structure of the co
mission will be revamped so that it c
more effectively fulfil the role assigned
it. The promotion of khadi is to be giv
a special place and here there is an int
resting and also intriguing proposal for
large-scale programme of the developme
of what is described as "Nai khadi". It
claimed a breakthrough in the field
khadi is in sight with prospects of spinni
and weaving polyester fibre along with co
ton fibre. Further progress in this dire
tion, it is argued, could assist in impro
ing the productivity and the earnings
khadi spinners and weavers. On more ge
ral terms also, this statement recognis
the need for the development and applic
tion, of technology appropriate to soci
economic conditions. It pledges a speci
effort at ensuring an effective and coop
rative approach to development and wid
spread application of suitable small a
simple machines and devices for impro
ing the productivity and capacity of sma
scale and village industries.

The industrial policy statement is u
doubtedly restrictive in its approach to t
role of large-scale industry in the furth
industrialization of the economy. T
reservation of a number of manufactur

r small-scale and cottage industries is nly one aspect of this attitude. It is only rudgingly allowed that large-scale indus- y could function in such areas as basic ndustries (non-ferrous metals, cement oil efineries. etc), capital goods industries nd high technology industries which equire large-scale production (fertilizers, esticides. petro-chemicals etc) and other ndustries which are outside the list of eserved items for the small-scale sector nd which are considered essential for the evelopment of the economy (machine ools, organic and inorganic chemicals, tc). It is worth noting that some of the ndustries falling under one or the other f this description are already exclusively n the public sector, and to this extent the ew restrictions on the functioning of rge-scale industry in the private sector re rendered more strict or severe.

Implicit in the reservation of the manu- acture of certain items for the small-scale r cottage industries is a change in licen- ing policy as a result of which no expan- ion of capacity is to be sanctioned to arge-scale units which are now engaged n the production of such goods. This reezing of existing capacity would appear o be most significant in the case of tex- iles. The government will not permit any xpansion in weaving capacity in the orga- ised mill or power-loom sector. As or spinning capacity in the organised nill sector, expansion is to be allow- d only when there is a shortage of yarn vhich interferes with adequate supplies for he handloom sector. The freezing of wea- ing capacity would reinforce the existing eservation of certain items of textiles for roduction in the handloom sector.

strict enforcement

This reservation is to be more strictly enforced hereafter and it may also be extended to other items. Laundry soap and leather footwear are among tthe manufactures reserved for exclusive development in the small-scale sector. In this case also no expansion of large-scale production will be licensed except that increases in the capacity of existing units or the setting up of new units will be permitted where the production is for export. Simultaneously the Khadi and Village Industries Commission is being charged with responsibility for increasing progressively the share of the cottage sector in the total production of footwear and soap.

While licensing additional capacity in the large-scale sector, the government will ensure that no industrial unit or business group acquires a dominant or a monopolistic position in the market. It follows that the industrial policy statement cannot have much use for further substantial growth of large-scale industries managed by what are described as large business houses. The Monopoly and Restrictive Trade Practices Act will not only remain on the statute book without any liberalization or relaxation, but it will also be more rigorously enforced. Again, except in the case of industries eligible for automatic growth of capacity, the expansion of the existing undertakings into new lines and establishment of new undertakings by large business houses will require specific approval of the government. It is clear that this approval cannot be taken for granted. Large business houses have also been warned that they will have to rely on their own internally generated resources for financing new or expansion projects.

EASTERN ECONOMIST

Wishes its Readers

A HAPPY NEW YEAR

The debt-equity ratio in the case of less capital intensive or less sophisticated industries will be so fixed as to reflect the greater use of their own internally generated resources by large business houses. In other words the access of these establishments to the financial institutions is to be restricted. However, in the case of industries such as fertilizers, paper, cement, shipping and petrochemicals which are relatively more capital intensive in nature, the debt-equity ratio will be so fixed as to permit greater recourse to the financial institutions.

The statement does not contemplate any further nationalization of industries in the private sector. It is however at pains to explain that the public sector will have an expanding role in several areas, e.g., the development of a wide range of ancillary industries.

foreign capital

While dealing with foreign companies the statement makes it clear that the government attaches very little importance to foreign capital in helping to develop the country's economy. So far as existing foreign companies are concerned, the provisions of the Foreign Exchange Regulation Act are to be strictly enforced so that there is a dis-investment of foreign capital in these companies. Foreign collaboration is to be valued only to the extent that the acquisition of technology is necessary. Where foreign technological knowhow is not needed, existing collaborations will not be renewed. The government, it has been indicated, is now engaged in preparing a list of industries where no foreign collaboration, financial or technical, is considered necessary. For all approved foreign investments, majority interest in ownership and effective control should, as a rule, be in Indian hands, but exception might be made in the case of highly export-oriented and/or sophisticated technology areas. Even a fully owned foreign company might be considered where production is wholly for export.

It may be considered at once that fears that the new policy will clamp a mediaeval industrial structure on our economy are greatly exaggerated. Although some areas of manufacture are being taken out of the competence of large-scale industry, the industrial policy statement at the same time places great emphasis on the promotional efforts needed for raising productivity and the quality of the goods in the small-scale and cottage sectors. This suggests that the government is not altogether blind to the importance of costs in the economics of industrial investment or production. Provided the government is as good as its word in looking after the efficiency aspect of small-scale production and is really prepared to revise the list of reserved industries from time to time in the light of the progress made in ensuring that the small-scale sector is competitive, it may be expected that substantial gains in terms of employment and decentralised purchasing power could be made without the economy having to pay an excessive price in the form of loss of its potential for growth. In other words, while it is very likely that the rate of economic growth will be depressed to some extent, there could be compensation in the form of less unemployment or more widely disbursed purchasing power.

R & D contribution

At the same time it is necessary to urge on the government the need for ensuring that this loss of growth potential is as small as possible. It is probably true that so far as the cotton textiles entering mass consumption are concerned, the handloom sector could be expanded sufficiently to take care of the needs of the people. But this possibility does not justify the total freezing of weaving capacity in the mill sector. There is, obviously, no case for preventing the organised mill industry from expanding its weaving capacity in respect of non-cellulosic fibres or blended fabrics, particularly where non-cellulosic fibres are used in blends. Such fabrics are relatively more expensive and there is great need for bringing down their prices and cost of production so that they may come within the reach of an increasingly large consuming public. To the extent that large-scale production could achieve this, it will be wrong to freeze mills' weaving capacity in respect of these fabrics. Secondly, weaving and finishing technologies are progressing rapidly in the case of synthetic and blended fabrics and it is clearly undesirable that the organised mill sector should be obstructed from making their manufacturing, processing and R&D contributions in this field.

The decisions relating to the large business houses could well have been freer from prejudices. As management tools these houses have a great deal to contribute to the further industrialization of the country and it should be possible for any intelligent government policy to provide for the maximum utilization of their skills and services in the national interest. The constant harangue that these houses have grown excessively in relation to other parts of industry and have thus secured a dominant position in the economy which they are using or could use for their self-aggrandisement is mere political propaganda. Statistics relating to increases in assets which are trotted out by ministers or official spokesmen in this connection are mostly a case of juggling with numerals. When due allowance is made for such factors as the overall growth of industry, the impact of inflation, increase in liabilities and the nationalization of the major commercial banks and some large industrial units, it will be seen that the assets managed by large business houses have grown no more than what is natural to living organisations functioning with a certain amount of efficiency. In any case, the apparatus of bureaucratic controls and regulations has already been sufficiently elaborated and there is therefore no need for further curbs on any branch of productive industrial activity, including the large business houses.

The statement has threatened to restrict the access of these business houses to t financial institutions when loans a required for expansion or for new indu tries. The argument is that lar business houses should rely on their ov internally generated resources. This is silly contention because most of the facto which determine profitability do not a differently as between industrial uni managed by the large business houses an others. For instance, the former do no necessarily obtain their raw materia cheaper nor are they able to emplo men at lower wages. Again corporat taxation or central excise or other commodity taxation make no difference between the large business houses and th rest. It is true that if there is normall functioning capital market, the larg houses, because of their business reputation, will be in a stronger position t mobilize risk capital, but the new capita market has been reduced to a meagre existence. In these circumstances, there is no rhyme or reason in arguing that large business houses, simply because they are large, should be in a position to gene-

Public held to Ransom

The banking public is no party to the dispute between employees and management. Yet, they suffer as a result of frequent, planned work stoppages, which are so timed as to disrupt the day's clearing. Only a year ago, some bank union leaders were waxing eloquent on customer service. In retrospect, those professions appear to have been a shield against MISA rather than any expression of sincere desire to serve customers.

Strangely enough, many bank employees are resentful of these tactics not only because they lose wages, but also they realise that by inconveniencing customers they increase their unpopularity further. However, fear of non-conformism impels many of them to fall in line with the militant minority.

Mangements and the government seem reluctant to protect public interests. Depositors would, therefore, do well to fend for themselves.

The post office savings bank account is a good alternative In contrast to meagre 3 per cent given by banks, 5 per cent interest is given by P.O. on savings bank accounts *with cheque facility*. Moreover, on deposits of up to Rs. 25,000 the interest is tax free (i.e. Rs. 1,250 per year). This is in addition to exemption of Rs 3,000 on income from bank deposits and other approved securities. There are some inconveniences in operating a P.O. savings bank account, but commercial banks have nothing positive to offer which counterbalance those inconveniences. In any event, depositors are not prevented from withdrawing their own money by work stoppage and strikes.

(M.R. Pai)
Hon. Secretary
All-India Bank Depositors' Assn
(Bombay Branch)

rate sufficient resources internally for financing the whole or the greater part of new or expansion projects. It is clear hat the government has become a victim of its own propaganda that the large business houses have been building themelves by drawing heavily on financial nstitutions. It is good that the government recognizes the importance of industrial growth being financed by internally generated resources, but it does no credit to it that it does not realise that such financing cannot be compelled to by measures which are clearly punitive in nature. It is not only the large business houses which need to generate sufficient internal resources. All industrial units which have to meet the high capital cost of expansion or new projects are faced with the same necessity and it is therefore the responsibility of appropriate pricing and fiscal policies to make possible the adequate generation of internal resources. No special obligation can reasonably be placed on the large business houses since they are to function in the same context as the rest of industry.

political prejudice

The approach to foreign collaboration again is covered by similar political prejudices. It is clearly irresponsible on the part of the government to rule out any significant inflow of foreign private capital. Given our need for resources and the limits to our domestic savings, we are condemning ourselves avoidably to a lower rate of growth, with all that it implies in terms of employment and the standard of living of our people, by shutting out foreign investment. It is true that the enforcement of the FERA has not resulted in an exodus of existing foreign companies but this is hardly any consolation for a country which is in great need, by any test, of large and steady inflow of new foreign investments into the many capital-hungry areas of its economy. The negative attitude to foreign private capital, which is one of the more disturbing features of the industrial policy statement is bound to impose an unnecessary regimen of austerity on the development prospects of the nation.

To sum up, the emphasis on the development of the decentralized sector may be welcomed with reservations. Provided the industrial policy statement lives up to its promise of caring for productivity and a continuous improvement of manufacturing, managment and marketing techniques in the small-scale sector, the economy could benefit from the creation of employment opportunities in areas where they are most needed. At the same time the curbs placed on large-scale industry are on the whole likely to lead to a slowing down of the rate of medium and long term economic development of the economy as a whole. This loss in growth potential could be reduced if the government would reconsider some of its decisions relating to large-scale industry, particularly those affecting large business houses and foreign collaboration. Meanwhile it is clear that the industrial policy statement calls upon the nation—but not in so many words—to make a choice between more decentralized employment in the short period and faster and higher medium and long-term growth. It is important that the public should be made aware of this demand on them.

Brandt perfers a low profile

THE PRESIDENT of the World Bank, Mr Robert McNamara, is one of those well-meaning persons, who cannot take a step without treading on their own good intentions. As his contribution to the resolution of the issues in debate in the North-South dialogue, he invited Mr Willy Brandt some time ago to head an "Independent Commission on International Development Matters". The idea was that Mr Brandt should assemble a prestigeous group of international personalities, not committed to any narrow interests but conversant with the problems of world community, which could act as an honest broker of ideas and, perhaps, ideals. Mr McNamara also arranged for funding generously a Geneva-based staff of professionals to function as the secretariat of the commission. However, he must be wondering already whether the Commission would click.

Meanwhile Mr Brandt has found himself a team of 16 members of whom nine, including the durable Mr L.K. Jha of India, are from Third World countries. He has made a start by defining principally for his own benefit and that of his colleagues the fairly familiar North-South issues. They are : how to increase financial and technological aid from richer to poorer nations; how to expand markets for Third World products and stabilise the prices of raw materials and how developing nations can limit their population growth and their military expenditures. He came to New Delhi on December 20 on a brief visit to explain how the Commission proposes to set about its task. Playing it on a somewhat low key, he said that he hoped that the Commission would leave its mark both on the thinking and the actions of the governments concerned and added, with endearing scepticism, that, even if the Commission failed, no great harm would have been done, since it could have at least added one more tome to the libraries.

confusion of problems

It may be granted at once that the context in which the Commission has begun its work fully justifies its chairman's conservative expectations. This is not only because the North-South dialogue has so far produced no indication of an adequate philosophy of cooperation being worked out to redress the disparities in income and wealth between the rich nations and those that are poor. There is also the further objective difficulty that the industrial countries have for some time been caught up in a confusion of economic problems which has generally proved to be too complex for their skills of political or economic management. The US, for instance, has fought its way out of a prolonged recession only to find that its employment needs have still to be subordinated to the continuing imperative of keeping inflation in check. West Germany has been more successful than most countries in combining a relatively higher rate of economic growth with a low inflation rate, but it has not been able to solve its large and stubborn unemployment problem.

In Britain things were pretty bad until a year ago, but since then austere monetary and fiscal policies have achieved a remarkable turn-round in its balance of payments and also brought it some relief from domestic inflation. At the same time prospects of economic stability remain brittle because of relatively low productivity in industry and the ever-present threat from trade unions to an adequate incomes policy.

counter-productive

Across the oceans, in Japan, the very success of that country in controlling domestic prices and pushing Japanese goods in world markets has proved counter-productive to some extent since it has led to Japan piling up balance of payments surpluses on current account to such an extent that its trade policies have come to be condemned by other industrial nations as a menace to the smooth conduct of international economic relations. More specifically, the US and the European Economic Community have initiated protectionist offensives against Japanese goods with a view to compelling it to take measures for restraining its export drive and opening up its economy for imports from other countries.

International trade practices are thus threatening to break away from their GATT moorings. Simultaneously, thanks to the sharp decline in the value of the dollar vis-a-vis those of other major currencies in the course of this year, the post-Smithsonian international monetary system is now a shambles. West Germany and Japan, particularly, deem it a matter of urgency that the US government should stabilise the value of the dollar. Otherwise the competitive position of West German and Japanese exports against US goods in world markets could be seriously damaged. Thus the industrial nations are currently preoccupied with their own trade and currency problems and are to that extent less interested in diverting their energies to considerations of basic changes or reforms in their economic relations with Third World countries. Moreover they could argue, with some justification, that they could not be expected to undertake long-term or even mid-term commitments to transfer resources to poor countries on a substantial scale so long as the growth prospects for their own economies are not clear.

The Brandt Commission, however, plans to spend 18 months on this job. This, perhaps, is a long enough period for some of the current trade and currency problems to be sorted out and it is possible that the international context might improve as Mr Brandt and his colleagues proceed with their cerebration. At this point some broad reflections on the directions which the Commission may usefully take are relevant. Recent developments, particularly the EEC's insistence on placing curbs on textile imports from Hong Kong, South Korea, Taiwan, India, Pakistan, Egypt and Brazil show that the industrial countries are not yet prepared for any significant restructuring of their industrial production involving the attenuation or extinction of their traditional manufactures faced with competition from imports from developing nations. It is possible that, with an improevment in the employment situation in the industrial countries, more extreme forms of resistance to imports of even low-technology manufactures from the developing countries may diminish. But there is no rea to believe that there will be fundamer changes in attitudes within any relev future period. It would therefore seem be the case that, so far as tranfer of sources from the rich to the poor natio through trade liberalisation is concern progress may be uneven, uncertain and the whole, limited. The best that cou be hoped for in this direction is that, w the further spread of the Generalis Scheme of Preferences and the enterpr shown by developing countries in availi themselves of the opportunities offered this scheme, their trade will show least steady, if modest, growth over period.

The Brandt Commission would doubt discuss at length the possibilities stepping up transfer of resources throug various international institutions, inclu ing the IMF, but prudence dictates th it should not stress too much reliance o official development aid. While the term on which this aid is being rendered a being progressively liberalised th quantum of the aid is unlikely to expan very much. Right now West Germany probably the only country which enthusiastic to any extent about increasin the volume of official aid. The Budge Committee of the Bundestag decide

Eastern Economist 30 Years Ago

JAN. 2, 1948

To describe the year 1947 as the annus mirablis—the year of wonders—will be to employ an over-worked phrase. which hardly does adequate justice to revolution in many continents. Consider the major events of the year. It more or less opened with the White Paper on Burma. On the 20th February, there was the announcement of Britain's intention to come out of her commitments in India by June 1948. The Lingadjaati agreement, which recognised the Republic of Indonesia as exercising de facto authority in areas occupied by allied or the Netherlands forces would be included gradually, through mutual cooperation in the Republican terrirory, followed on the 25th of March 1947. The agreement meant. as circumstances then were, political freedom for some sixty million Asians. On the 3rd of June, India was partitioned ; and the Indian Indepencence Act came into force on the 15th of August. This was followed by the publication on the 27th of October of the Burmese Independence Bill, together with the text of the Anglo-Burmese treaty. Less than a month later, on the 14th of November, the Ceylon Independence Bill was introduced in the House of Commons.

The United Nations and the major powers moved quite as fast as Britain herself. The United Nations Special Committee on Palestine reported on the 31st of August, and about three months later, on the 29th November, attempts at compromise failed in the General Assembly, which voted for the partition of the country. The majority report of the Palestine Special Committee may be good or bad. But the adoption of the report by the General Assembly, 'set the Middle East on fire' to use the words of Azzam Pasha, the Secretary-General of the Arab League.

ecently to increase its assistance to the hird World to a value of almost D mark ,000 million as compared with D-mark ,500 million in 1976. It should be noted owever that the 1976 figure was only .3 per cent of the GNP. The Japanese overnment is now planning to increase its evelopment assistance as part of its proramme for bringing down its balance of ayments surpluses, but, as it is, its perormance in this respect has not been mpressive. As the Development Assistance ommittee of the OECD has pointed out, he official development assistance disursal by the Japanese government declind by four per cent in current prices to 1,105 million in 1976 which represents nly 0.20 per cent of the GNP. Reviewing he US government's record, the DAC nds that aid fell from 0.26 per cent of GNP in 1975 to 0.25 per cent in 1976, ompared with an average of 0.39 per ent for the 17 DAC members. The indusrial countries, by and large, have been ring of official aid since 1975 and there is o reason to believe that the Brandt Comission could do much to reverse this rend.

practical course

The practical course for the Commision would therefore be to look into other eans or forms of transfer of resources hich would be more to the liking of ndustrial countries and are also clearly eneficial to the developing nations. The AC has found that there have been elatively strong flows of private capital rom the industrial countries to developng economies. For instance, the total of rivate and public assistance of the Federal Republic of Germany to developng countries rose to D-mark 13,400 milion in 1976, as compared to D-mark 2,200 million in 1975. The sum for 1976 epresents almost 1.2 per cent of the GNP. In the case of Japan, again, total et afficial and private flows to the deveoping countries increased from $2,890 million in 1975 to $4,003 million in 1976, owing to marked expansion in private and official export credits and to increased direct investments as a percentage of GNP. The total flows rose from 0.59 per ent in 1975 to 0.72 per cent in 1976. There is thus reason to believe that the ransfer of resources could be facilitated best by creating conditions for the increased flow of private credits and investments from the industrial nations to the developing countries. If the matter is viewed in this light, it becomes at once apparent that the Brandt Commission should objectively examine the need for and ways and means of developing countries following policies which would encourage the transfer of resources to them through freer and larger flows of foreign investments and credits into their economies.

So far as industrial nations are concerned, they should be only too glad to welcome such capital movements provided they are related to their own legitimate interests. For instance, the industrial nations should be keen on improving existing sources or developing new sources of raw materials and commodities of which developing countries are considerable suppliers. Mr Brandt has spoken of the familiar demand of developing countries that the prices of their primary exports should be stabilised at remunerative levels. Industrial nations would find it easier to entertain a demand of this kind, if it is also accompanied by programmes for expanding the production of these commodities in step with the increasing requirements of industrial countries. A promotional plan which links private credits or investments from industrial countries with the raising of productivity of primary export industries in developing nations or the development of new sources of supply of primary commodities in the latter would therefore appear to be very much in line with the concept of mutuality of benefits which Mr Brandt himself has rightly stressed.

Finally industrial nations have been discovering through bitter experience that so long as the standard of living and wages remain low in the developing countries, their exports of manufactured goods will have an unsettling effect on low-technology in the industrial countries. The advanced economies have also realised that the expansion of their own exports will in the future depend to a large extent on the growth of import capacities of developing countries. For these reasons there is an increasing acceptance in the developed countries of the fact that their interests lie in actively stepping up private credits and investments to developing economies so that the latter could industrialize themselves efficiently and fast and thereby raise wage levels in their economies and the standard of living of their peoples.

The problem really is whether the developing countries are politically prepared to encourage large-scale inflow of private credits and investments. Here there are sharp differences in attitudes among developing countries. The government of India, for example, has been saying in season and out of season that it does not attach much importance to the financial participation of foreign capital and that it would allow foreign collaborations mainly in areas where superior technology is to be imported. Quite clearly such attitude must come in the way of large transfers of resources from the rich nations to the poor nations. It remains to be seen whether the Brandt Commission will have the courage to address itself to such issues with intellectual integrity and political objectivity. ●

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Manager

CAPITAL'S CORRIDORS

C. Raghavan

Split in Congress • Urs ministry's dismissal • Undoing 42nd Constitution Amendment Act

THE SPLIT in the Indian National Congress was formalised on January 2, 1978, when Mrs Indira Gandhi and her supporters, assembled at a two-day convention here early this week, declared themselves to be the real Congress. Claiming to have a "majority of the AICC members" among them, they declared Mrs Gandhi to be the president of the party and authorised her to reorganise the Congress at all levels. The convention said that this was necessary to provide an effective leadership to meet the challenges before the nation and the party.

The setting up of the Indira Congress, after months of wrangling with the Reddi-Chavan group, now in control of the AICC, appeared to signify that Mrs Gandhi and her followers were launched on the path of the politics of agitation and confrontation. Speeches at the convention, the resolutions tabled and adopted, and the general tenor of the proceedings itself made this clear.

chalking new path

The convention was presided over by Mrs Gandhi herself, and both she and the organisers at the outset suggested that there was no attempt at confrontation or conflict with anyone. However, the political resolution as well as the speeches on it made clear the views of the conventionists on the failures of the Congress leadership both on the organisational and parliamentary sides, and their desire to chalk out a new path.

The talk of a split had been long in the air. Some of her followers had been pressing Mrs Gandhi to take the step, but she appeared for a while to be hesitant. Even on the opening day of the convention, she had told some of her followers that they had to proceed carefully in order to be able to carry leaders like Mr Kamalapati Tripathi and Mir Qasim with them. And ultimately she did.

The convention met at New Delhi's Vithalbhai Patel Bhavan grounds—the venue of the 1969 meeting of the Indira Gandhi wing heralding that split. A newsman who had been present then and also on this occasion told me that he found the crowd this time more orderly and serious than in 1969. The newsman, it should be stated, was opposed to Mrs Gandhi at that time and is so even now.

difficult assessment

It was difficult to make an assessment of AICC men present at the convention or of MPs and legislators attending it. Unlike in 1969, this, however, was not of much consequence. Mrs Gandhi herself is not in power, and by the normal processes of constitutional politics, cannot hope to be back in power before 1982. But it seemed clear that she was beginning a campaign of agitations and confrontation to take advantage of Janata government's failures and to whip up a populist and popular movement to forge a new kind of alliance. By her and her followers' reckoning such an alliance should involve the Harijans and the landless labour in the countryside, the Muslims and other minorities, and hopefully in the not-too-distant a future the urban working classes and ev the middle classes. Judged by this obj tive, the attendance at the convention w not unimpressive.

Neither the Janata party nor her o ponents inside the Congress shou fool themselves, particularly when it clear that Mrs Indira Gandhi can fought only politically. While a section the participants clearly had the imprint the frenzied, slogan-shouting professior crowd, got together by party manage with funds, there was a much larger a sizeable section of what appeared to the traditional type of Congressmen. Th was particularly true of those who ha come from beyond the immediate su roundings of Delhi and Haryana. T audience even appeared to be listening and absorbing speeches with better atte tion than at the normal run of annu sessions of the Congress.

no regrets

Mrs Gandhi had no regrets for th emergency. She asserted that the cred for restoration of democracy should go t her and not to the Janata party, becau it was she who had called the election and when she and her party were defeate had stepped down. She also denied tha she was a prisoner of those around he and promised that in any event those nea her, against whom there was resentmer amongst party workers or anger in th public, would not be allowed to com forward. While Mrs Gandhi concede that some mistakes, both in policy and i implementation of policies, had bee committed during the emergency, sh thought it was time to forget all that. Th political resolution also put forward th thesis that the defeat of the Congres was due to "reactionary combine of inter nal and external forces" and criticised th Congress leadership for the view that "th people's antipathy was against certai individuals and not against want of per formance".

Considering that Mrs Gandhi and he group, and the political resolution too talked of winning back intellectuals anc involving them, this must be considerec astonishing. However, it would be so only if the moves are judged either in terms o hat happenned in 1969 or in terms of ormal politicking to which we have ecome accustomed. Thanks to the ilures of the Janata government, and e ineptness of the Reddi-Chavan leaderip of the Congress, Mrs Gandhi, howver, has been calling the shots for the st six months and others have been erely reacting. The way she has been ominating the newspaper headlines and ont pages is merely one example. And e newspapers—the same ones which ere so 'crawlingly' adulatory to her uring the emergency and are now trying prove themselves true to the Janata arty by the news reportage that often ok like editorials—are also perhaps elping her.

* *

The Janata government acted on New ear's eve to dismiss the Deveraj Urs inistry in Karnataka and impose Presient's rule in the state. The decision eversed within the week the earlier view hat the centre should not dismiss the inistry on the basis of parades of legisators before the governor or signatures n memoranda, particularly since it would e facing the legislature on January 3 hen its strength could be tested on the loor of the house. This was the view of he union Home minister, Mr Charan ingh, who recalled how when he was the hief minister of Uttar Pradesh and his inistry was in any event going to face he legislature to test its strength, Mrs andhi had dismissed it and imposed resident's rule.

Though purportedly the Karnataka overnor's subsequent report changed the overnment's view, no one is taken n by this. The action, in which reportedly ven president Sanjiva Reddy had a hand, vould appear to have been motivated by anata party's interest in accentuating the Congress split and undercutting Mrs Gandhi's faction. The governor's report hat the continuance of the ministry (for nother three days) would "further polute the prevailing atmosphere and there is risk of horse-trading and pressures applied on members" does not speak highly of the moral calibre of the MLAs behind the anti-Urs K.H. Patil group either. (Similar charges of horse-trading and pressures are being made by Janata party men against Janata chief ministers in Haryana and Himachal Pradesh.)

In the event however, to the normal run of middle level Congress workers, the Janata government's move came as further proof of rumours and charges about the behind-the-scenes negotiations and horse-trading reportedly going on between sections of the Janata party and the Reddi-Chavan faction of the Indian National Congress. Mr Charan Singh's stand (earlier) on grounds of principle against the dismissal was also perhaps motivated by similar considerations—namely, need to block a new alignment of Congressmen and ex-Congressmen (inside Janata) aimed against Mr Charan Singh and his ambitions in the direction of the prime ministerial gaddi.

* *

After weeks of dilly-dallying, with the government finding it difficult to fill legislative time, parliament in the last week was sought to be crowded with business. The only substantial business enacted was the Constitution (43rd Amendment) Bill, which aimed at undoing part of the mischiefs of the 42nd Amendment and the Bonus Amendment bills. Discussions are still continuing between this government and the Congress over the proposals to undo other mischiefs of the 42nd Amendment.

The Industry minister who had promised to bring forward a new Industrial Policy *Resolution*, to replace the 1956 resolution, placed before parliament, on the very last day, a statement on industrial policy. He ran into immediate trouble in the Lok Sabha both from the ruling and the opposition benches, when several members said that the new statement of policy could and should not be implemented. Mr R. Venkatraman forcefully argued that the earlier resolution had been adopted by parliament after three days of debate, and was, thus, a decision of parliament that could be changed or replaced only after a similar debate and resolution of the august body.

* *

India's ambassador to Washington, Mr N.A. Palkhivala, who seems prone to attract trouble, figured in both houses of parliament on the last day. In the Lok Sabha, on December 23, Mr Venkatraman raised the issue of what a New York paper had headlined "Boot-strapping Diplomacy".

As published in the New York papers, and reported by the Hindu of Madras, Mrs Carter (mother of president Carter) expressed a desire at a social occasion in a restaurant, to get a pair of Indian chappals to match the colour of her sari. Mr Palkhivala jumped up and tried personally to obtain the footprints and measurements of Mrs Carter's feet on a piece of paper. The scene was snapped and published in the New York papers.

'genuine nonalignment'

Coming on the eve of the visit of the US president, and Mr Palkhivala's statements about "genuine nonalignment", the incident sparked the ire of Congressmen while Janata partymen tried to dismiss it all off in a jocular and light-hearted way. Mr Biju Patnaik had sought to oppose the issue being raised in the Lok Sabha, but was dissuaded by the prime minister who asked him to keep quiet. Mr Desai himself was in his seat when it was raised, but made no comment.

In the Rajya Sabha, when Mr V.N. Gadgil raised it the next day, Mr Patnaik again tried to make light of it and so did the Foreign Affairs minister, Mr Vajpayee. The Foreign Affairs minister, however, at the end told the house that he had asked the ambassador to be "more careful" in future, but did not make it clear whether he expected Mr Palkhivala to be more careful in not taking foot measurements or in not doing it in semi-public places.

On the last day, Mr Charan Singh introduced his bill to amend the Criminal Procedure Code to provide as a part of the permanent penal laws of the country the power to detain persons without trial. The bill was opposed at the preliminary stage by the opposition. and even some Janata party men. It will come up for consideration in the budget session when undoubtedly it will meet rough weather.

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Human needs inseparable from human rights—Jimmy Carter

Addressing members of parliament in the central hall of parliament on January 2, the president of the United States, Mr Jimmy Carter, emphasised the areas of cooperation between his country and India. This is the text of his speech:

STAND before you in this house, the eat of one of the world's great legislaures, with feelings of profound friendship nd respect.

I bring with me the warm greetings and ood wishes of the people of the second argest democracy on earth, the United tates of America, to the people of the argest democracy, the Republic of India.

Not long ago, both of our people's overnments passed through grave crises, n different ways, the values for which so nany have lived and died were threatened. n different ways, and on opposite sides f the world, those values have been riumphant.

It is sometimes argued that the modern ndustrial state—with its materialism, its entralised bureaucracies, and the technoogical instruments of control available to hose who hold power—must inevitably ose sight of the democratic ideal.

The recent experience of my country ut that argument to the test. And the esult was a vindication of freedom and elf-government.

opposite argument

The opposite argument is made even nore frequently. There are those who ay that democracy is a kind of richman's laything—and that the poor are too preoccupied with survival to care about the uxury of freedom and the right to choose heir government.

This argument is repeated all over the vorld—mostly, I have noticed, by persons whose own bellies are full, and who speak rom positions of privilege and power in heir own societies.

Their argument reminds me of a statement made by a great president of the United States: Mr Abraham Lincoln said, "Whenever I hear anyone arguing for slavery, I feel a strong impulse to see it tried on him personally".

The evidence, both in India and in America, is plain. It is that there is more than one form of hunger, and neither the rich nor poor will feel satisfied without being fed in both body and in spirit.

Is democracy important? Is human freedom valued by all people?

India has given her affirmative answer in a thunderous voice—a voice heard around the world. Something momentous happened here last March—not because any particular party won or lost, but rather, I think, because the largest electorate on earth freely and wisely chose its leaders at the polls. In this sense, democracy itself was the victor.

POINT OF VIEW

Together, we understand that in the realm of politics, freedom is the engine of progress.

India and America share practical experience with democracy.

We in the United States are proud of having achieved political union among a people whose ancestors came from all over the world. Our system strives to respect the rights of a great variety of minorities—including by the way, a growing and productive group of families from India.

But the challenge of political union is even greater here. In the diversity of languages, religions, political opinions, and racial and cultural groups, India is comparable to the continent of Europe, which has a population about the same size as India's.

Yet India has forged her vast mosaic of humanity into a single nation that has weathered many challenges to survival both as a nation and as a democracy. This is surely one of the greatest political achievements of this or any century.

India and the United States are at one in recognizing the right of free speech—which Mahatma Gandhi called "the foundationstone of Swaraj" or self-government—and the rights of academic freedom, trade union organisation, freedom of the press, and freedom of religion.

international covenants

All these rights are recognised in international covenants. There are few governments which do not at least pay lip service to them. And yet, to quote Gandhi once more, "no principle exists in the abstract. Without its concrete application it has no meaning."

In India, as in the United States, these rights have concrete application—and real meaning.

It is to preserve these rights that both our nations have chosen similar political paths to the development of our resources and the betterment of the life of our people.

There are differences between us in the degree to which economic growth is pursued through public enterprise, on the one hand, and private enterprise, on the other—but more important than these differences is our shared belief that the political structure in which development takes place should be democratic and should respect the human rights of each and every citizen.

Our two countries also agree that human needs are inseparable from human rights—that while civil and political liberties are good in themselves, they are much more useful and much more meaningful n the lives of people to whom physical survival is not a matter of daily anxiety.

To have sufficient food to live and work, to be adequately sheltered and clothed, to live in a healthy environment and be healed when sick, to learn and be taught—these rights, too, must be the concerns of our governments. To meet these needs orderly economic growth is crucial. And if the benefits of growth are to reach those whose need is greatest, social justice is crucial as well.

India is succeeding in this historic task. Your economic challenges are no secret, and their seriousness is well understood in the west.

What is far less well understood is the degree to which Indian social and economic policy has been a success. In the single generation since your independence was gained, extraordinary progress has been made.

India is now a major industrial power. Your economy ranks among the 10 largest in the world. It is virtually self-sufficient in consumer goods and a wide variety of iron and steel products.

There have been notable increases in production in nearly every important sector of industry—increases which reflect an economy of great technological sophistication. This kind of growth makes it doubly important to try to reduce trade barriers, and to promote both bilateral trade and mutual responsibility for the world trading system.

human welfare

Most important, though, are the advances in human welfare that have touched the lives of ordinary Indians.

Life expectancy has increased by 20 years since independence. The threat of major epidemics has receded. The literacy rate has doubled. While only a third of Indian children went to school in the years just after independence; nearly 90 per cent of primary-age Indian children now receive schooling. Nine times as many students go to universities as before.

I mention these gains because we tend to overlook them in our preoccupation with the problems that quite properly engage most of our attention.

India's difficulties, which we often experience ourselves, and which are typical of the problems faced in the developing world, remind us of the tasks that lie ahead.

But India's successes are just as important—because they decisively refute the theory that in order to achieve economic and social progress, a developing country must accept an authoritarian or totalitarian government and all the damage to the health of the human spirit which that kind of rule brings with it.

Nevertheless—as Indians are the first to affirm—the challenges your country faces remain immense. All of us recognise that every country stands or falls by its own efforts.

We are eager to join with you in maintaining and improving our valuable and mature partnership of political and economic cooperation.

It is a sobering fact that in a nation of so many hundreds of millions of people, only a few American business leaders are involved on a daily basis in the economic and commercial life of this subcontinent.

mutual benefit

We need to identify more areas where we can work together for mutual benefit, and, indeed, the benefit of the whole world.

In the area of development, I am deeply impressed with the creative direction the government of India has charted in the new economic statement.

You have committed your nation unequivocally to rural improvement and the creation of rural employment. This policy now faces the test of implementation, and especially the test of bringing its benefits to the poorest sections of your rural population. But the seriousness and determination of your commitment is cause for optimism.

The new direction of your government coincides with our own view that development priorities should emphasise meeting basic human needs.

We want to learn from you and to work with you however we can.

In agriculture there are also exciting new areas of technology on which we ca work together. After a decade of impo ting grain, India now stands with a su plus of nearly 20 million tons. This is tribute to the growing productivity c your agriculture and the competence c your administrative services.

We applaud the grain reserve programme you have begun and we would we come the opportunity to share with yo our resources and experience in dealin with the storage problems that surpluse bring with them.

food reserve

Our countries must be in the forefron of the effort to bring into existence th international food reserve that woul mitigate the fear of famine in the rest o the world.

At the same time, we must recognise that today's surpluses are likely to be a temporary phenomenon. The best estimates indicate that unless new productive capacity is developed, the whole world with its rapidly growing population may be facing large food shortages by the mid-1980s.

The greatest opportunities to increase agricultural productivity exist here in India and elsewhere in the developing world. These opportunities must be seized—not just so that Indians can eat better, but so that India can remain self-sufficient, and perhaps even export food to countries with less agricultural potential.

In the past, America and India have scored monumental achievements in working together in the agricultural field.

But there is still a vast unrealised potential to be tapped through further cooperation.

I would like to see an intensified agricultural research programme, aimed both at improving productivity in India and at developing processes that could be used elsewhere.

This programme would be based in the agricultural universities of our two countries, but would extend across the whole frontier of research.

And beyond research, I would like to

identify joint development projects where research can be tested and put to work.

Prime minister Desai and I may now instruct our governments to focus on these matters and come up with specific proposals within the next few months.

One of the most promising areas for international cooperation is in the regions of eastern India and Bangladesh, where alternating periods of drought and flood cut cruelly into food production. Several hundred million people live in this area. They happen to be citizens of India, Bangladesh and Nepal.

But they are also citizens of the global community. And the global community has a stake in ensuring that their needs are met.

Great progress has already been made in resolving water questions and we are prepared to give our support when the regional states request a study that will define how the international community, in cooperation with the nations of south Asia, can help the peoples of this region use water from the rivers and the mountains to achieve the productivity that is inherent in the land and its people.

Sustained economic growth requires a strong base in energy as well as in agriculture. Energy is a serious problem in both our countries, for both of us import oil at levels that can threaten our economic health and expose us to danger if supplies are interrupted.

American firms are already working with Indians in developing the oil producing area off the shores near Bombay.

record of cooperation

We also have a long record of cooperation in the development of nuclear power —another important element of India's energy plans. I hope that our work together will continue in this field as well.

Additionally, we stand ready to work with you in developing renewable energy resources, especially solar energy. Active cooperation in this area could be of enormous help to both our countries.

There is no shortage of sunlight in India, and the lack of a massive existing infrastructure tied to fossil fuel use will make the application of solar and solar-related energy vastly easier here than it will be in my country.

Moreover, the inherently decentralised nature of solar energy makes it ideal as a complement to your government's stress on development of self-reliant villages and communities.

With adequate energy and engineering applied to the use of existing land resources, potential gains in agricultural productivity will also be greatly enhanced.

The silent void of space may seem remote from these challenges, but the intricate electronics of a space satellite can be as useful to earth-bound farmers as a new plough.

The Indian and American governments will tomorrow exchange diplomatic notes confirming that the United States will programme its Landsat earth resources satellite to transmit data directly to a ground receiving station that India will own and operate.

satellite service

This satellite service will provide India with comprehensive topographic and minerals information and timely data on the ever changing condition of agricultural water and other natural resources.

Under the terms of the agreement, India will make available to neighbouring countries any information that affects them.

Also, India has already reserved space on board the American space shuttle in 1981 to initiate a domestic communications satellite system, using a satellite designed to Indian specifications.

We are pleased that our space technology, together with India's superb space communications capability, will serve the cause of practical progress in India.

Our growing scientific cooperation should be anchored in expanded knowledge of each other's people and cultures.

Our scholarly exchanges have already enriched the lives of Americans who have participated in them, and I hope the same has been true of Indian participants. I want our exchanges of persons and information to flourish and grow.

In matters of culture and the arts, we know how much we have to gain. Not only India but also the rest of Asia, Africa and the Middle East have much to offer us from which we might learn.

I hope to expand the opportunities for our citizens to appreciate the strong and varied culture in the nations of your part of the world.

In global politics, history has cast our countries in different roles. The United States is one of the two so-called super powers, India is the largest of the non-aligned countries.

But each of us respects the other's conception of its international responsibilities and the values we do share provide a basis for cooperation in attacking the great global problems of economic justice, human rights and the prevention of war.

This pursuit of justice and the building of a new economic order in the world must be undertaken in ways that promote constructive development rather than fruitless confrontation. Every country will suffer if the north-south dialogue is permitted to flounder.

Because India is both a developing country and an industrial power, you are in a unique position to promote constructive international discussion about trade, energy, investment, balance of payments, technology and other questions. I welcome your playing this role.

shared interests

I know that there will be times we will disagree on specific issues and even on general approaches to larger problems. But I hope and believe that our shared interests and common devotion to democratic values will help us move toward agreement on important global and bilateral issues.

But neither of us seeks to align with the other except in the pursuit of peace and justice. We can even help each other to alleviate differences which might exist with other nations.

Our two countries are part of a democratic world that includes nations at all stages of development, from Sweden and Japan to Sri Lanka and Costa Rica.

We share many common problems. We

also share an obligation to advance human rights—not by interfering in the affairs of other nations, not by trying to deny other nations the right to choose their own political or social system, but by speaking the truth as we see it and by providing an admirable example of what democracy can mean and what it can accomplish.

The danger of war threatens everyone, and the United States is trying to help reduce that danger—in the SALT negotiations with the Soviet Union, in talks aimed at a comprehensive nuclear test ban treaty, in our own policy of restraint on conventional arms transfers.

We are also working hard to restrict the proliferation of nuclear explosives. We are seeking to help the process of peace in Africa and the Middle East. And we are taking steps to forestall great power rivalry in the Indian Ocean.

India is pledged to peaceful cooperation with your neighbours, and India is an important part of almost any United Nations peace-keeping force, is a present and frequent member of the Security Council, and has been in the forefront of campaigns against colonialism and apartheid.

common goals

More and more, we find ourselves working together towards our common goals: democracy, human development, social justice and peace.

The motto of my country is "In God We Trust." India's is "Satyameva Jayate" —"Truth Alone Prevails."

I believe that such is the commonality of our fundamental values that your motto could be ours and perhaps ours could be yours. Our nations share the common goals of peace in the world and human development in our own societies.

And we share as well the conviction that the means we employ to reach these goals must be as much in keeping with the principles of freedom, human dignity and social justice as are the goals themselves.

This affinity of belief is as strong a tie as there can be between two nations. The values that Indians and Americans share have deeply affected my own life. I come to you as a national leader, in the hope that my visit will mark a new and higher stage in the steadily improving relations between our two countries. But in a more personal sense—a sense that is very close to my heart—I come as a pilgrim.

This morning I had the honour of laying a wreath on the memorial to Mahatma Gandhi. In that sacred place, so simple and serene, I recalled anew the ways in which Gandhi's teachings have touched the lives of so many millions of people in my country.

When I was growing up on a farm in the state of Georgia, in the heart of the southern United States, an invisible wall of racial segregation stood between me and my black playmates as soon as we were old enough to go to school. It seemed then as if that wall would exist forever.

the wall crumbles

But it did not stand forever. It crumbled and fell, and though the rubble has not yet been completely removed, it no longer separates us one from another, blighting the lives of those on both sides of it.

Among the many who marched and suffered and bore witness against the evil of racial prejudice, the greatest was Dr Martin Luther King, Jr, a son of Georgia and a spiritual son of Mahatma Gandhi.

The most important influence in the life and work of Dr King, apart from his own religious faith, was the life and work of Gandhi. Martin Luther King took Gandhi's concepts of ahimsa and satyagraha—non-violence and truth-force—and put them to work in the American south.

Like Gandhi, King believed that truth and love are the strongest forces in the universe. Like Gandhi, he knew that ordinary people, armed only with courage and faith, could overcome injustice by appealing to the spark of good in the heart of the evil-doer.

Like Gandhi, we all learned, that a system of oppression damages those at the top of it as surely as it does those at th bottom.

And for Martin Luther King, as fo Mahatma Gandhi, non-violence was no only a political method, it was a way o life and a spiritual path to union with th ultimate.

These men set a standard of courag and idealism that few of us can meet, bu from which all of us can draw inspiratio and sustenance.

The non-violent movement for racia justice in the United States—a movemen inspired in large measure by the teaching and example of Gandhi and other India leaders—changed and enriched my ow life and the lives of many millions of m countrymen.

I am sure you will forgive me for speaking about it at some length. I do so because I want you all to understand that when I speak of friendship between the United States and India, I speak from the heart as well as the head. I speak from a deep, first hand knowledge of what the relationship between our two countries has meant in the past and what it can mean in the future.

meeting challenges

For the remainder of this century and into the next, the democratic countries of the world will increasingly turn to each other for answers to our most pressing common challenge: How our political and spiritual values can provide the basis for dealing with the social and economic strains to which they will unquestionably be subjected.

The experience of democracy is like the experience of life itself—always changing, infinite in its variety, sometimes turbulent, and all the more valuable for having been tested by adversity. We share that experience with you and draw strength from it.

Whatever the differences between my country and yours, we are moving along the path of democracy toward a common goal of human development.

I know I speak for all Americans when I say that I am grateful that we travel that road together.

LIONS DO NOT COMPROMISE!
NOR DO WE

USE

"THREE LIONS"
BRAND

SODA ASH &

CAUSTIC SODA

SODA BICARB

AMMONIUM BICARBONATE

Saurashtra Chemicals
PORBANDAR

Tax incentives and methods of financing corporate sector

G. D. Mishra

The financial policy of the companies in the corporate sector is guided by the tax policies of the government. The author while appeciating the introduction of investment allowance in place of development rebate pleads for the removal of disincentives in the tax structure which in a way tax efficient working of firms

ORPORATION INCOME tax has often been eferred to as an elastic source (3, Cutt, . 282) of public revenue and therefore overnment is justified in depending upon his direct tax. This tax has been proressive because of the levy of surtax on xcessive profits of companies. The statuory tax rates on corporate profits exhibit he consciousness on the part of the goernment of the potentiality of the tax, but he proportion of revenue raised through his source has never been significant. The eason seems to be the deviation of effecve tax rate[1] from the statutory one. hough statutory tax rate differs (4, Gandhi, p. 97) depending upon the comany belonging to public or private sector, riority or non-priority industry, or domesic or foreign industry, the variations in ffective tax rates are more profound.

The change in effective rates is subsantial because this tax has never been ooked upon only as a revenue yielding ource. The government has given more veight to the development of the indusrial sector while designing its strategy.

providing incentives

The corporation income tax has been sed as a major tool for providing incenives to the industries whose expansion and development is considered more desirable. Tax incentives are provided not merely for ncreasing after tax profitability of the irm but for making funds readily available for financing the investment. Since he capital market in India is imperfect 10, Rao & Misra; 5, Krishnamurty & Sastry) and the proportion of equity funds s considerably low[2], much reliance is to be placed on debt capital and internal funds re to be favoured because of their lowest cost, although higher tax rate favours accumulation of debt capital in relation to equity funds.

Since internal funds are preferable (9, Rao and Misra) as a source of financing investment in fixed assets and debt capital has not been used properly in financing working capital requirements (10, Rao and Misra, 7, Misra), the development of the scheme of tax incentives has become desirable in raising internal funds. The object of this article is to measure the reliance placed by various companies on their internal funds due to the introduction of tax incentives and thereby determine the nature of the capital structures.

complicated structure

There exist a variety of taxes in the corporate sector and also a number of allowances and disallowances. These have helped in making the structure of corporate income tax complicated. Although sometimes unreasonable expenses actually incurred are disallowed, tax concessions are available which offset the disallowances. Surtax and penal tax, the two notable taxes have been levied to make the profit tax more progressive and to safeguard the public revenue from tax avoidance.

The allowances granted for the corporate tax purposes are not few in number, yet they do not represent the liberal[3] attitude of the government. For instance only selected capital assets like buildings, ships, plants and equipment are entitled for the allowances. In order to have a comprehensive system of tax incentives the integration of various tax concessions is essential. As a result government had introduced "investment allowance" in the budget of 1976. Investment allowance is supposed to replace initial depreciation allowance on the lines of development rebate which was discontinued in 1974. The major tax incentives in India in addition to the investment allowance are development rebate[4], depreciation allowance, partial tax holiday and carry-forward losses.

promoting fixed capital

All the tax concessions available to the industrial sector have proved useful in promoting fixed capital. Less attention howewer has been paid towards the management of working capital. Thus corporate taxation, the statutory rate of which is higher than in many other countries in the world (4, Gandhi, p. 97), differs significantly from effective rate and discriminates in favour of internal funds. It is pertinent to note the following points.

(i) All major tax incentives are provided for fixed equipment, therefore internal funds are the first choice for financing investment in fixed assets. For instance, development rebate provides funds for expansion of fixed equipment and depreciation reserve helps in the replacement of existing machinery.

(ii) The lower rate of capital gains tax in relation to tax on dividends induces retention of corporate earnings. Therefore, with the existing structure of tax concessions, the preference for earnings retention becomes strong for realization of capital gains (by investing accumulated funds in fixed assets).

(iii) The capital markets in the country are far from competitive (10, Rao & Misra), therefore much reliance is placed on internal sources.

We also find that wherever external funds (debt capital) have been available, they have in general been mismanaged thereby yielding low rate of return on capital acquired. This has ultimately suggested the development of internal sources with available structure of tax incentives. The tax structure has not only encouraged internal funds but penal tax and deductibility of interest charges from corporate profits have made debt capital cheaper at least in relation to equity capital. By looking at the cost structure and returns for the capital, the net returns are found highest for internal funds (10, Rao & Misra). Therefore it is clear that internal funds dominate in the overall capital structure. The possible reason for this behaviour of capital structure is the structure of tax incentives.

term credit

The term capital structure refers to the relative proportions of funds obtained from various sources. The sources are internal and external. External sources involve the issue of bonds, debentures, common shares and preference shares and as a result debt and equity capital is accumulated. The reasonableness of the proportion of funds depends upon the nature and characteristics of the industry and many other internal and external conditions. Various factors representing these conditions may be used to determine the optimality of capital structure.

Three types of funds have been considered to comprise the financial structure. Therefore three equations are needed to describe their behaviour. Since equity funds occupy a small proportion of funds and the capital market is more or less imperfect requiring the introduction of control variables, only two equations have been employed to analyse the behaviour of internal funds and debt capital and thereby the nature of capital structure.

As regards internal funds position, gross internal funds are chosen which have retained earnings and depreciation flow as components. The existing empirical studies have indicated that depreciation flow is almost 69 per cent in total internal funds (7, Misra, p. 21) and it has been the major source of accumulation of funds internally. Therefore consideration of gross internal funds is more appropriate due to the present tax policy in the corporate sector. It is generally thought that retained earnings are the byproduct of dividend decisions but in several studies (1, Bates & Henderson; 7, Misra) retention decisions are regarded as primary, making the issue controversial. Various attempts (6, Kumar & Manmohan) have been made to resolve the issue but findings have not indicated any superiority of dividends. Although internal funds and dividend decisions are two different decisions and they have their different sets of determinants, most of the factors influencing one also influence the other. In addition to the tax variable, whose inclusion in the equation is important to describe, the effect of tax incentives on internal funds, the main factors which determine the requirement of funds are investment in gross fixed assets, investment in inventories and age distribution of fixed assets. The major factors influencing availability may be considered as profitability position, liquidity position, availability of other types of funds namely debt-flow and new issues.

internal funds

Thus internal funds equation may be considered as:

$$(RED/NW)_t = a_0 + a_1(PAT/K)_t + a_2(RED/NW)_{t-1} + a_3(I/K)_t + a_4(INV/K)_t + a_5(DBTFLW/NW)_t + a_6(NI/NW)_t + a_7(DBTOUT/NW)_{t-1} + a_8(CA/TNA)_t + a_9(DPRCN/GFA)_{t-1} + a_{10}(TAX/PBT)_t \quad (1)$$

where RED : Retained earnings plus depreciation

PAT : Profits after taxes

I : Investment in fixed assets

INV : Inventory investment

DBTFLW : Debtflow (long term and short term)

NI : New issues (equity funds)

K : Paid up capital

NW : Net worth

t : Current period

(DBTOUT/NW): Debt outstanding to net worth ratio indicating (debt/equity) i.e. financial risk

(CA/TNA): Ratio of current assets to total net assets indicating liquidity position

(DPRCN/GFA): Depreciation stock as a ratio of gross fixed assets representing age distribution

(TAX/PBT): Tax provision as ratio of profits before tax which is effective tax rate.

The debt capital, which is the main external source, may be well explained by requirement factors like investment in fixed assets and investment in inventories. The other determinants influencing debt position may be availability of gross internal funds and equity funds, financial risk, liquidity position, and tax rate. The debt flow equation may be considered as:

$$(DBTFLW/NW)_t = b_0 + b_1(I/K)_t + b_2(INV/K)_t + b_3(RED/NW)_t + b_4(NI/NW)_t + b_5(DBTOUT/NW)_{t-1} + b_6(CA/TNA)_t + b_7(TAX/PBT)_t \quad (2)$$

effect of incentives

In equations (1) and (2) the coefficients a_{10} and b_7 explain the nature of the effect of tax incentives on internal and external funds respectively. The coefficient b_7 has to be positive whereas a_{10} may be either positive or negative. The higher effective tax rate implying the weak character of incentives induces more accumulation of debt capital due to significant reduction in the after-tax cost of debt capital. The lower effective tax rate indicates strong effect of tax incentives and thus encourages the accumulation of internal funds treating external source as secondary. In this case b_7 may be negative if not insignificant and a_{10} may be positive representing the strong effect of tax incentives. The negative impact of tax variable on RED implies the usual effect on retained earnings whereas positive effect is meaningful due to the dominance of depreciation funds which enjoy the tax advantage.

The main sources of our data are the financial statements of medium and large scale public limited companies published in the Reserve Bank of India Bulletin (1957, 1962, 1967, 1972, 1975,). Thirteen industries have been chosen together with aggregate corporate sector. The industries are sugar, tobacco, cotton textiles, jute, iron and steel, engineering, chemicals, matches, cement, paper and paper products (PPP), electricity generation and supply (EGS), trading and shipping. The observations relate to 24 years' period (1950-51 to 1973-74).

The variables have been deflated[5] by paid-up capital and net worth in order to correct for the change in the sample size er every five-year period. The profits d investment variables are deflated by id-up capital whereas financial variables nternal and external funds—are deflated net worth.

For the analyses of time series data ethod of estimation used is simple least uares (SLS) procedure. Stepwise option , Rao & Miller) has been adopted to ake a choice about correct specification. nally those variables appear in the equa- n whose t-value is greater than unity. mmary statistics R^2, $\bar{R}^2$ and Durbin atson (DW) have been employed to cide the appropriate form of equation.

Looking at internal finance equation we d the appearance of PAT, Risk financial, vestment in fixed assets, debtflow and ew Issues variables in the equation. The esence of these factors indicates the re- irement of internal funds together with bt and equity for financing the invest- ent in fixed assets (Tables I and II). This ct is supported by other existing empiri- l studies in India (9, Rao & Misra). axation of corporate profits has reduced ternal funds for tobacco, cotton textiles, gineering, PPP and EGS industries. is is so because retained profits happen be 50 and 83 per cent of the total pro- s for tobacco and cotton textiles spectively and effective tax rate is fairly gh for cotton textiles and engineering.

much variation

For the remaining two industries there is uch variation in the effective tax rate ver the period, although average effective x rate is not very high. The two indus- ies, namely shipping and cement, have njoyed more than any other industry the uits of the tax incentives in building up eir internal funds position. The tax ariable has affected gross retentions vourably because of more than 70 per ent proportion of depreciation provision total internal funds. Shipping industry as been given preference continuously om the very beginning.

The tax variable has created its usual fect on debt capital. The positive coeffi- ent of the tax variable (b_7) reveals reduc- on in the cost of borrowings due to terest deductibility and thereby increase the debtflow. The industries are sugar, tobacco and trading. The reason is higher effective tax rate i.e. more than 50 per cent for these industries. However, iron and steel industry is adversely affected by the tax policy with respect to debt capital. This is the industry in which position of debt capital has been much adverse. This is not the outcome of the tax policy but of its financial policy, although tax policy has been very much favourable (effective tax rate 30 per cent).

The working results of aggregate sector explain the improvement in debt capital as a result of the tax policy. This is because the average effective tax rate has been 46 per cent. The corporate sector as a whole has depended considerably upon external funds in financing its investment requirements both in fixed capital and inventories. This indicates that most of the industries, which have a strong bias towards external funds in financing investment, fall outside the group under consideration.

strong preference

Thus we find that the financial policy of companies in the corporate sector is very much guided by the tax policy of the government. The results of such industries as cement and shipping support the strong preference for internal funds due to a variety of tax incentives provided as reflected by lower effective tax rate, whereas sugar, tobacco and trading industries have preferred the use of debt capital in financing their investment requirements due to weak incentives as reflected by substantially higher effective tax rates. The results of the corporate sector as a whole have also supported this fact implying that a significant part of the sector (non-priority sector) has been kept aside while providing tax incentives.

In spite of providing incentives to industries in which government has shown interest, the corporate tax policy has some serious disincentive effects like reduction in the internal liquidity of companies, reduction in the attractiveness of equity capital and discouragement for intra-marginal firms (efficient firms) whose larger profits are taxed. This has happened because of inconsistency of the existing tax structure, which has been devised to fulfil the need of the moment, regarding which Boothalingam's (2, Boothalingam, p 2) remarks are apt. What is lacking is the systematic development of the scheme of tax incentives to fulfil the short-run as well as long-term financial requirements with minimum possible interaction. The introduction by the government of investment allowance in place of initial depreciation and development rebate in the budget of 1976 is thus highly appreciated, although much remains to be done in order to have an integrated scheme[6] of tax incentives.

References

1. The effective tax rate is taken as the ratio of tax provision to profits before tax.

2. The proportion is 11 per cent on an average.

3. There is no provision for tax-free reserves which are essential for a firm's day-to-day operation. Retentions are given no special consideration.

4. The development rebate has been included in the list because over the period of analysis it was treated as a very important tax allowance.

5. Since internal funds give rise to reserves on the liability part of the balance sheet account, net worth is the appropriate choice to deflate RED. In order to maintain consistency, DBTFLW and NI are also deflated by net worth (11, Sastry).

6. The scheme which can encourage the accumulation of reserves to be used for day-to-day operations and thus strengthen liquidity position at least for those industries which have been seriously hurt by the credit squeeze. The development of equity capital is equally important and therefore that tax policy which has a suitable dividend policy as its byproduct is desirable.

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Table I
Internal Funds Equation*—Dependent Variable (RED/NW)

Variables	Corporate Sector	Sugar	Tobacco	Cotton Textiles	Chemicals	Iron and Steel	Jute
Constant	0.019	—0.03	0.046	0.037	—0.293	0.011	—0.282
PAT/K)	0.348	0.323	0.161	0.252	—	0.155	0.404
	(3.696)	(4.434)	(2.793)	(4.548)		(2.820)	(3.778)
RED/NW)$^{-1}$	—	—	—	—	0.190	0.233	—
					(2.120)	(1.407)	
I/K)	—0.049	0.155	0.180	0.274	0.222	—0.063	0.249
	(—1.135)	(4.757)	(4.934)	(9.719)	(8.916)	(—2.471	(7.130)
INV/K)	0.200	—	—	0.054	—0.127	- 0.091	—
	(3.160)			(1.204)	(—2.566)	(—1.718)	
DBTFLW/NW)	—0.088	—	—0.043	—0.119	—	0.139	0.128
	(—2.340)		(—1.449)	(—2.234)		(2.635)	(2.912)
(NI/NW)	—0.287	—0.804	—0.337	—0.382	—0.601	—0.275	—
	(—1.044)	(—1.343)	(—1.296)	(—1.034	(—3.653)	(—1.813)	
(DBTOUT/NW)$^{-1}$	0.042	0.032	0.027	0.042	0.122	0.103	0.027
	(5.645)	(3.449)	(2.682)	(5.738)	(4.277)	(4.288)	(1.253)
(CA/TNA)	—	—	—	—0.006	0.005	—	0.004
				(—2.725)	(2.363)		(1.512)
(DPRCN/GFA)$^{-1}$	—	—	—	—0.817	—	—	—
				(—2.156)			
(TAX/PBT)	—	—	—0.0007	—0.005	—	—	—
			(—2.090)	(—2.485)			
R^2, R^2,	0.95,0.93	0.76,0.70	0.91,0.87	0.98,0.97	0.96,0.95	0.87,0.80	0.97,0.95
DW	2.53	2.53	2.83	1.97	1.58	1.70	1.67

Variables	Engineering (ING)	Cement	PPP	EGS	Trading	Shipping	Matches
Constant	0.012	0.061	—0.419	0.032	—0.316	0.31	—0.190
(PAT/K)	0.220	0.656	—	0.315	0.476	0.321	0.390
	(2.816)	(6.490)		(4.900)	(13.012)	(1.987)	(8.739)
(RED/NW)$^{-1}$	—	—	—	—	—0.195	—0.225	—
					(—3.656)	(—1.331)	
(I/K)	0.049	—	0.140	0.184	0.216	0.164	—
	(1.507)		(3.305)	(5.095)	(6.200)	(3.708)	
(INV/K)	—	0.065	—	0.278	—	—	0.050
		(1.357)		(1.764)			1.486
(DBTFLW/NW)	0.062	0.059	—	—0.127	—0.028	—0.293	—
	(1.841)	(1.284)		(—2.344)	(—2.920)	(—2.427)	
(NI/NW)	—0.490	—0.339	0.713	—0.136	—	—1.547	220.181
	(—3.476)	(—3.913)	(2.819)	(—1.957)		(—1.378)	(56.088)
(DBTOUT/NW)$^{-1}$	0.038	0.071	0.100	—	0.007	—	0.118
	(4.541)	(1.357)	(2.684)		(2.462)		(2.914)
(CA/TNA)	—	—	0.006	0.004	0.004	—	—0.0008
			(3.066)	(1.812)	(4.581)		(—1.868)
DPRCN/GFA)$^{-1}$	0.231	—0.343	0.541	—0.364	—0.010	—	0.318
	(2.403)	(—3.184)	(2.546)	(—1.245)	(—1.633)		(4.281)
(TAX/PBT)	—0.001	0.001	—0.002	—0.0004	—	0.002	—
	(—1.784)	(1.876)	(—2.130)	(—1.383)		(1.255)	
R^2, R^2,	0.93,0.89	0.91,0.86	0.78,0.69	0.91,0.86	0.97,0.95	0.72,0.67	0.99,0.99
DW	2.34	1.62	2.50	2.52	2.21	2.34	1.38

*The figures in parentheses are t—values.

TABLE II

Debtflow Equation*—Dependent Variable (DBTFLW/NW)

Variables	Corporate Sector	Sugar	Tobacco	Cotton Textiles	Jute	Chemicals	Iron ar Steel
Consant	0.062	—0.459	—2.151	0.579	0.631	0.119	0.22
(I/K)	—0.377	—0.174	—	—	—	0.547	0.38
	(—1.577)	(—1.687)				(9.436)	(6.29
(INV/K)	1.365	0.552	0.214	0.598	0.319	—	0.57
	(4.271)	(22.376)	(3.634)	(5.587)	(1.264)		(2.55
(RED/NW)	—2.253	—	—	—0.873	1.289	—	1.21
	(—2.516)			(—3.742)	(2.128)		(2.19
(NI/NW)	—	—	—	—2.108	—	—	0.74
				(1.380)			(1.197
(DBTOUT/NW)-^{1}	0.113	—	—0.149	—	—	—0.200	—0.51
	(1.670)		(—2.462)			(—3.251)	(4.190
(CA/TNA)	—	0.005	0.023	—0.007	—0.011	—	—
		(1.276)	(4.479)	(—2.186)	(—1.205)		
(TAX/PBT)	0.295	0.004	0.0008	—	—	—	—0.002
	(1.007)	(2.434)	(4.812)				(—1.153
R^2, R^2	0.72,0.63	0.97,0.97	0.84,0.80	0.69,0.62	0.76,0.70	0.83,0.81	0.90,0.86
DW	2.85	2.50	1.52	1.86	2.39	1.68	2.10

Variables	Engineering (ING)	Cement	PPP	EGS	Trading	Shipping	Matches
Constant	0.058	—0.040	0.330	0.053	—0.544	0.064	—0.052
(I/K)	0.163	0.382	0.223	0.518	—	0.395	0.553
	(1.588)	(3.409)	(2.357)	(3.491)		(8.064)	(2.492)
(INV/K)	0.543	0.350	0.597	—	0.372	4.614	0.479
	(6.143)	(2.020)	(2.041)		(1.691)	(1.212)	(4.961)
(RED/NW)	—	—	—0.781	—1.169	—	—0.955	—
			(—2.427)	(—2.394)		(2.706)	
(NI/NW)	—1.186	0.311	—	—0.502	—	—	—221.382
	(—2.254)	(1.044)		(—1.723)			(—1.969)
(DBTOUT/NW)-^{1}	—	—	—	—	—	—	—
(CA/TNA)	—	—	—0.006	—	—	—	—
			(—1.908)				
(TAX/PBT)	—	—	—	—	0.012	—	—
					(1.652)		
R^2,R^2	0.86,0.84	0.59,0.52	0.65,0.57	0.43,0.33	0.26,0.18	0.85,0.82	0.88,0.86
DW	1.82	1.83	0.93	2.12	1.91	2.08	2.22

*The figures in parentheses are t—values.

Britain's help for overseas development

Jack Cooper

WINDOW ON THE WORLD

Improvement in the living standards of the world's poor is one of the major challenges of our time, and will remain so, at least, for the rest of the century and perhaps into the next, says the author. The British government's new emphasis on aid to the programmes oriented towards the poorest sections in rural communities thus assumes great significance.

BRITAIN'S AID programme constitutes a major channel of cooperation with certain developing countries and should be seen as one of a number of essential instruments for helping make economic interdependence a reality.

The main objective of the British government's aid policy, as set out in the 1975 White Paper 'More Help for the Poorest', gave a new emphasis to programmes oriented towards the poorest groups within the poorest countries and especially towards rural development programmes. The reason for this new emphasis was that while developing countries as a group had made significant economic progress, a large number of them remained extremely poor and had fallen behind the others in their rate of development, furthermore the poorest groups within the developing countries had benefited very little, if at all, from general economic growth. The improvement in the living standards of the world's poor is one of the major challenges of our time and will remain a challenge for at least the rest of this century and perhaps well into the next.

Despite undoubted achievements, there has been growing concern about the pattern of development in many of these countries. Most of them are dual economies with a small relatively prosperous, modern sector in the towns and a very large and very poor traditional sector living in the rural areas. The rapid growth of population, without a matching rate of development, has meant that a high proportion of the active population of many poor countries were either unemployed or employed in activities with very low productivity, a rapid population growth in the developing world also gave rise to concern about its ability to feed itself.

The official aid programme—expected disbursements in 1977-78 net of repayments on past loans are £623 million—includes all British government economic expenditure to and on behalf of, the developing countries, Commonwealth and foreign, including advances to the Commonwealth Development Corporation (CDC). It includes both multilateral and bilateral payments, capital aid, budgetary aid and technical cooperation. Certain scientific units in the United Kingdom carrying out research and development work on problems affecting the developing world are also financed from the programme as are a proportion of the expenses of the British Council and a number of other home-based institutions.

Financial aid is made available in two ways: bilaterally (government-to-government) and multilaterally (through the United Nations and other international organisations). Bilateral financial aid is given in the form of grants or loans, to assist development. Small capital grants may also be made as part of technical cooperation schemes. Multilateral financial aid normally takes the form of regular subscriptions to international organisations but may be given as direct grants to specific projects.

British bilateral aid is normally 'tied' to the purchase of British goods and services but, where it is considered necessary a limited part of financial aid may be untied for meeting the local costs of projects. Financial contributions to multilateral institutions are provided on an untied basis. Seventyfive per cent of Britain's aid is bilateral, of this eighty per cent currently goes to the developing countries of the Commonwealth. Twentyfive per cent of the overall programme is multilateral.

essential characteristic

The availability of know-how and skills is not only vital to development but is often a precondition to a successful programme of financial aid or investment. The ministry of Overseas Development's administrative structure ensures that technical and financial aid complement each other as much as possible. An essential characteristic of the technical cooperation programme is that it involves people, private as well as official, and the transfer of 'know-how' from country to country and people to people, not simply from government to government.

Technical cooperation may take the forms of education and training in Britain for people from overseas; the services of qualified and experienced staff, including teachers, for operational and advisory posts in the service of overseas governments and with the United Nations specialised agencies; the services of firms of consultants for feasibility and other specialist surveys; books and equipment for training and research; the services of scientific, technical and advisory organisations and research costs. Almost half of the people recruited in recent years for posts overseas work in education. The rest are in works and communications, public administration, health, agriculture, industry, commerce and social services.

British public funds finance around 14,000 overseas students from all parts of the world in any one year, of whom about 7,600 are new arrivals. The students receive awards or scholarships under various regional technical cooperation programmes and Commonwealth Education Cooperation schemes, all financed by the ministry of Overseas Development and the British Council. The ministry is responsible for policy aspects of the schemes which they finance and these are devised within the general context of manpower aid to the developing countries; while the British Council is responsible for the day-to-day administration. The provision of these training facilities forms an integral part of Britain's educational assistance programme and, in general, British policy is to offer training in Britain only where adequate facilities are not available locally.

disaster unit

In 1974 a special Disaster Unit was established within the ministry of Overseas Development to enable the British government to make emergency relief aid more effective. The unit keeps a watch for early warning of possible disasters and locates sources of supply and transport in advance; it also holds a reserve of vehicles in readiness. The unit works in close cooperation with the voluntary agencies in Britain and with the international agencies, notably the United Nations Disaster Relief Organisation.

International aid is less than one-fifth of the amount receiving countries themselves invest in development from their own taxes and export earnings. Aid is essentially a matter of giving or lending money and resources to open up new possibilities of self-help.

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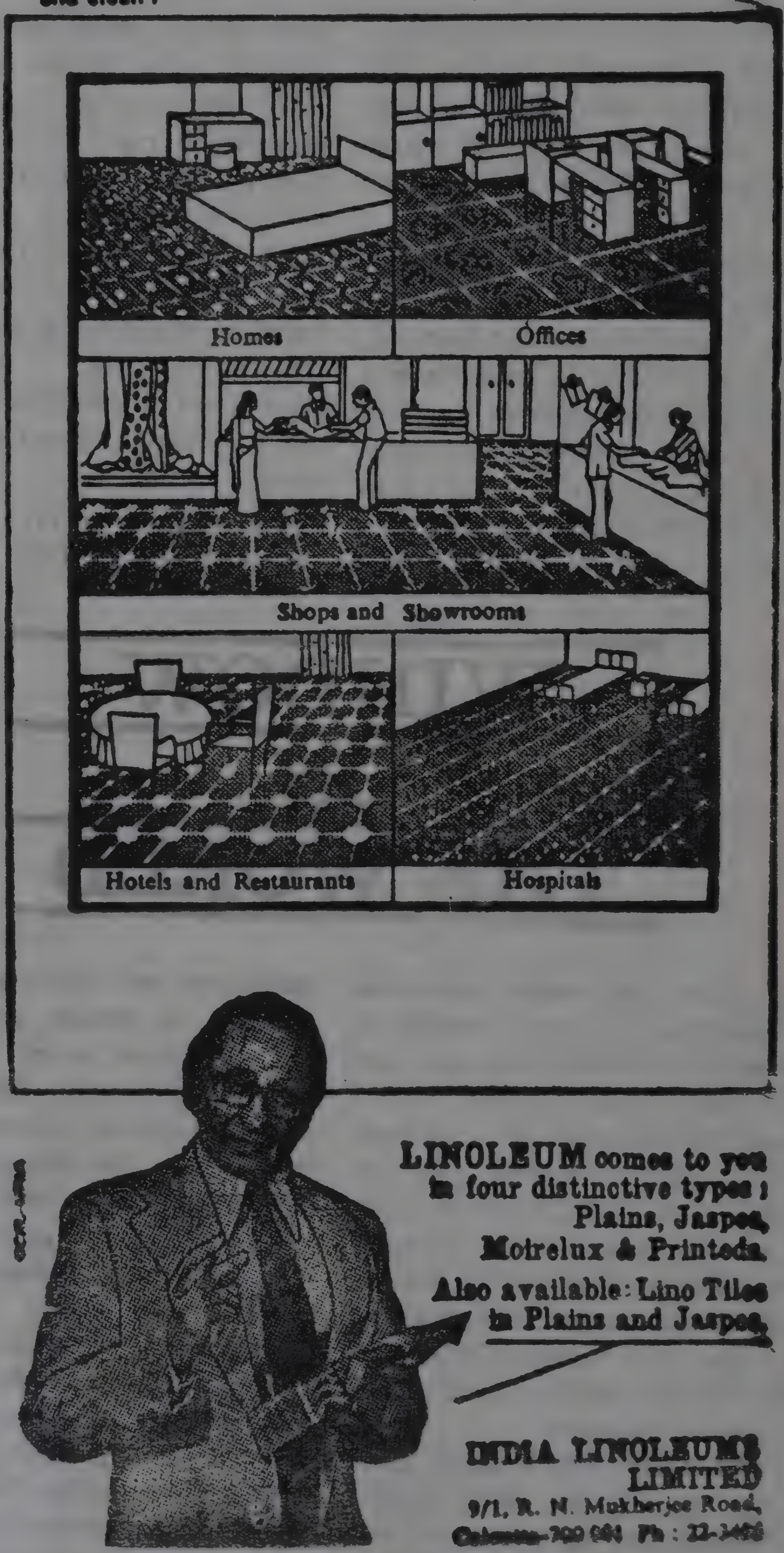

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MOVING FINGER

While addressing a nference of governors in New Delhi on ecember 24, the president, Mr Sanjiva eddy, deprecated the emergence of re-onal parties based on what he called narrow and sectarian lines", beçause he w in this an inherent danger of fissiparus and centrifugal tendencies coming to e fore. I believe that he has not done s political sums correctly. It is strange at he should have forgotten so early at it was the hegemony established over overnment and political life by a single ational party that rendered the assertion f authoritarianism by its leader so fatally asy. It is also very much within our memory that resistance at state government level came only from Tamil Nadu, where a regional party was then in power. Mr Reddy may of course argue hat resistance to single-party rule could be built through the development of more han one or, perhaps, more than two ational parties. But we must deal with he realities of the present and prospective political situation. The Janata party is yet to become sufficiently cohesive. The Congress is a shambles. In the circumstances, I am not at all sure that regional parties commanding solid support among the people cannot or do not perform some useful stabilizing and protective functions.

Moreover to the extent that federalism has been subjected to a process of attrition by the over-centralization of political influence or authority, the growth of regional parties might help to reverse this unhealthy trend. As for regional parties being based on narrow and sectarian lines, Mr Reddy, who must at least be an interested and well-informed observer of the game of power politics which is now being played in Delhi, should be the last person to suggest that national parties or their leaders are not affected by these viruses. In fact, a few regional parties functioning effectively in as many states may well act as a brake on the exploitation of regional or sectarian issues by national parties for their own ends. In any case, regional parties, even as national parties, should be judged by their professions backed by their performance and Mr Reddy has done no service to the cause of national unity by condemning regional parties in terms of certain obviously inbuilt personal prejudices.

It has been disclosed in the course of Congressional hearings in Washington that the CIA has been using journalists — American and foreign — to push US propaganda—real and purposely "black" or false—overseas. In India, the publications *Quest* and *Thought* are reported to have been funded by the CIA. The editor of *Thought*, which was wound up quite some years ago, was the late Ram Singh. A cold warrior, taken out straight from a General Electric or Westinghouse refrigerator, Ram Singh, it is interesting to recall, was planted on *The Hindustan Times* as a columnist in the 'fifties. Incidentally, when the then US ambassador in India, Prof Galbraith, got the CIA to withdraw support from *Quest* and *Thought*, his reasoning was not ethical or political. It was simply that those journals had a "level of intellectual and political competence that was sub-zero".

Talking of ambassadors, Mr Nani Palkhivala certainly does not deserve the harsh press he got for his "boot-strap" diplomacy. His problem is that he has made himself believe that a diplomatic assignment is something more than, if not something other than, wining and/or womanising tax-free. The result is that he sometimes goes out of his way to be useful to his country. His consolation, however, could be that all right-thinking men and women must recognise that, by taking the measure of the foot of the mother of the US president for a pair of Indian *chappals* at a reception, he was giving a gigantic boost of publicity to our footwear industry in foreign markets. He has done this at a time when the protectionist wave in western countries is hitting at our exports of footwear, among other merchandise.

For a few hours on December 23, Mr Charan Singh's one-upmanship succeeded in stealing the spotlight from Mrs Gandhi's brinkwomanship, which has otherwise been holding the political stage these days. The Farmers' Rally was, by any showing, an ugly happening. It made it clear that, so long as a certain type of politicians continues to be dominant in the affairs of the country the personality cult will not be allowed to disappear. This type seems to believe that its hold on the levers of power depends on how large a number of people it can fool for how long a period of time. Engrossed as they are in such mean political arithmetic, some of these politicians, even when they aspire to national status, tend to forget that, by hawking themselves as the champions of this class of people or that, they are cutting themselves to size by their own hands.

The fact that Mr Raj Narain officiated as the Master of Ceremonies at the Farmers' Rally did nothing to secure dignity or decorum to the occasion. In fact his massive involvement only helped to emphasize the fact that certain unsavoury practices had been borrowed from Mrs Gandhi's style of manipulating the masses. Mr Raj Narain argued that there was nothing wrong in naming a Farmers' Day in celebration of Mr Charan Singh's birthday since there were precedents of a Children's Day and a Teachers' Day. Apart from the fact that these examples are not worthy of being emulated, children have no votes, while teachers are a scattered and feeble constituency. Farmers, however, are a numerous and massed electorate and although December 23 was billed as a national Farmers' Day, it was mostly the kisans from Mr Charan Singh's political backyard and its neighbourhoods who were on display.

VB

BOOKS BRIEFLY

Gandhian approach to economic development

India's Economic Policy—The Gandhian Blueprint: Charan Singh; Vikas Publishing House Pvt Ltd; Pp 127; Price Rs 30.

Backward Area Development—Strategies and Policies: Management Development Institute, New Delhi; Pp 303; Price Rs 30.

Bio-Gas System in Asia: S.K. Subramanian; Management Development Institute, New Delhi; Pp 146; Price Rs 25.

The Ethical Attitudes of Indian Managers: Arun Monappa; All-India Management Association, New Delhi; Pp 124; Price Rs 30.

Efficiency of Futures Trading: Rama Pavaskar; Popular Prakashan, Bombay; Pp 144; Price Rs 30.

Amidst Heat and Noise—Durgapur Recalled: Bagaram Tulpule; All-India Management Association, New Delhi; Pp 133; Price Rs 35.

Reviewed by **Academicus**

WRITTEN BY Charan Singh, the present Home minister at the centre, *India's Economic Policy—the Gandhian Blueprint* is one of the most refreshing and critical books on India's five year Plans. The book contains ruthless frontal attack on Jawaharlal Nehru's approach, policies and programmes adopted to bring about rapid economic development of India. The author has buttressed his arguments with theoretical analysis, authentic facts and figures as also by historical and empirical evidences. When what all Jawaharlal Nehru did was and is being praised to the skies, it bespeaks of great courage of conviction on the part of the author to make an attempt to systematically demolish Nehru's policies in most of the spheres while at the same time acknowledging certain economic achievements where the author felt that acknowledgement was due. What is more important, the author is not content by merely demolishing various policies followed so far, but he has also shown vision and constructive ability to suggest alternative programmes in various spheres of the Indian economy?

The author begins by emphasising the importance of agriculture in India's economy. In all the developed countries agricultural revolution took place either concurrently or preceded the industrial revolution. On the other hand in the case of India "the average annual imports of food over a period of 20 years ending 1970 cost us Rs 207.8 crores, those during the last five years, 1971-76, cost a much higher figure of Rs 289.2 crores". The author finds it strange that not only Nehru but "almost the entire intelligentia of the country, would give first priority to, or place more emphasis on industry."

That agriculture which supports about 70 per cent of India's working population should receive lower priority is, according to the author, "the root of India's economic ruin." It is ironic and tragic to see the strange spectacle of the most highly industrialised nation with only five per cent of its population working on land feeding a predominantly agricultural country like India where 70 per cent of its working force labours in the agricultural sector. He has also warned of the possibility of food-exporting countries using food as a political tool in dealing with developing food-importing countries like India. And therefore "if India has to live and make progress its leaders must assign top priority to agriculture."

According to the author, there is a wide breach between professions and practices of Congress leadership and "there is no sphere where the gulf between official policy and performance has been as wide as in the case of land reforms." Nothing is as urgent as creating peasant proprietorship, both to increase productivity and strengthen democracy in the country. And yet W.A. Ladejinsky pointed out "Many a good piece of agrarian reform legislation has arrived stillborn in India." There was no will to do it!

Russian model

The author after pointing out that small size farms would mean both greater productivity per acre and higher level of employment of labour, is extremely critical of cooperative farming which Nehru tried to impose on India, copying the Russian model. He is also critical of indiscriminate mechanisation of agriculture in a country with abundant labour-force and scarcity of capital. It is strange that instead of adjusting machinery to small sizes of lands of India, the policy-makers tried to adjust size of farms to machinery which in turn was to be imported from abroad, thanks to Nehru's infatuation for the Russian models!

The author has accused the planners by stating that Indian agriculture is deliberately starved of capital; and that while "almost a fourth of the country's land suffers from erosion only a paltry sum of Rs 47.05 crores was spent on soil conservation between 1951 and 1973."

On the other hand the fifth Plan contains provision of Rs 1197 crores on new steel plants so that we may "catch up with the west." Farm prices are also deliberately kept low to the advantage of arge-scale industries, but causing immense harm to the agricultural sector and to ural populace.

The author has accused the past government of neglecting villages and agricul-ure. Thus while 85 per cent of urban population had piped water, 1.16 lakh villages with a population of 61 million did not have the most elementary water supply system; and "in 90,000 villages out of these, there was no water within a radius of one mile." The same neglect is seen n respect of provision of educational and medical facilities to the rural population adding to the misery of the dumb mil-ions in the countryside. The entire debacle started because Jawaharlal Nehru accepted an industry-based model of economic growth recommended by western educated advisers. "Unlike Mao Tse-tung, he did not develop an independent approach to India's problems...unlike Mao, Nehru was a product of an urban environment and western education."

industrial strategy

The author is also very critical of the industrial strategy that came to be adopted. It was the heavy industry that mattered; nothing else did. Employment was considered secondary to production and five year Plans came to be based on the premise that "heavy industry was fundamental to rapid growth." "His (Nehru's) heart was bent upon establishment of an industrial structure on the lines of the USA and the USSR and to that end, he decided to go hammer and tongs, both for foreign aid and foreign technology as also divert all possible domestic resources to heavy industry even at the cost of food, clothing, housing, education and health." Nehru did not understand that conditions for capital-intensive industries did not exist in India.

Gandhiji wanted to build Indian economy from below, with emphasis on agriculture and village economy on which majority of people depend. Nehru would not listen. His model of industrialisation resulted in ruination of India's rural economy.

Charan Singh has equally critical and harsh things to say about policies followed hereto in regard to mixed economy and public sector, foreign loans and foreign collaboration, concentration of economic power in the private sector (in spite of the pious platitudes of the government opposing such concentration), the dual economy that has persisted because of the emphasis on heavy and large-scale industries, and unemployment resulting from all previous policies.

The unemployment problem grew mainly because of Nehru's insistence on capital-intensive technology. (For example, a fertiliser factory in Mehsana district with a capital investment of Rs 70 crores provides employment to just 350 persons and another fertiliser project with capital investment of Rs 250 crores to just 1,100 persons.) Gandhiji knew this weakness of Jawaharlal Nehru when he wrote: "Jawaharlal's plans would be a sure waste; but he was one who would not be satisfied with anything that was not big." After 16 years (from 1947 to December 1963) it dawned upon Nehru that after all Gandhiji was right. He admitted in parliament in December 1963: "I begin to think more and more of Mahatma Gandhi's approach...a large number of people will not be touched by it (five year Plan as then formulated) for a considerable time. Some other method has to be evolved so that they (people) become partners in production even though the production apparatus may not be efficient as compared to modern technique." But it was already too late and Nehru passed away barely six months later.

alternative approach

After these stunning blows to developmental policies followed so far, Charan Singh has advocated an alternative approach based mainly on Gandhiji's ideas. The alternative plan and strategy emphasise agriculture, small-scale and cottage industries (large scale industries being restricted to those fields where modern techniques must be used), labour-intensive technology, employment and rehabilitation and rejuvenation of the rural economy where real India lives.

From the speeches of Charan Singh so far, one never suspected that he knows his economics so well! The small book, packed with theory, analysis, criticism and suggestions. would have done credit to any of the presidents of the Indian Economic Association. Let us wait and see what fruits Charan Singh's alternative policy, which the Janata government is keen on adopting, bears in future.

Whatever the achievements of the plan strategy of the last quarter century, the fact remains that it has failed to create any impact on the fundamental problem of India's mass poverty which appears to be getting accentuated, undermining the democractic basis of our society. 'Emergency' was possibly an attempt to set aside democracy for its failure to solve the problem of mass poverty. But the remedy proved to be worse than the disease, resulting in the sacrifice of democracy without solving the basic problem of poverty. May be, Gandhiji was right after all!

REGIONAL IMBALANCES

The Management Development Institute, New Delhi, organised a seminar on backward areas in April 1976. The book *Backward Area Development—Strategies & Policies* is an product of the discussion that had taken place in that seminar. It is well-known that one of the basic objectives of planned developmental efforts is to reduce regional imbalances. The government has been following over a decade or so a wide range of financial, infrastructural and control policies and also policy of providing various types of incentives to attain the objective of balanced regional development which would also help reduce income inequalities among people. The seminar made an attempt to analyse the policies followed and steps taken so far to attain the above objective and, what is more important, has suggested possible reorientation in the policies and measures to achieve speedier development of backward areas. This volume contains the papers presented at the seminar as also the proceedings and discussions that took place there. In this brief review only the new policies, or measures or steps suggested or points made would be referred to and touched upon.

B.K. Madan emphasised that "the objective of backward area development could be achieved only through comprehensive measures aimed at total development of these areas including, in particular, development of agriculture and small-scale industries." And yet, he felt that in the strategy to be adopted, the main constituent would be industrial development. According to Dr Madan, the problems of identification of the areas and reviewing periodically the continued eligibility for receipt of various concessions should receive due attention. He also queried the relevance of treating the district as an indivisible unit. Would not taluka be a better unit, considering the limited resources at the disposal of the government? Dr Madan also emphasised 'area-specific' or 'growth point' approach as the major strategy for development of backward areas. He opined that "incentives by way of softer credit terms were perhaps less effective by themselves than in combination with other facilities and concessions...." He also called for changes in the organisational set up both at the central and state levels to deal effectively with the problems of development of backward areas.

locational factors

Baldev Pasricha was of the view that ". . . the various policy measures hitherto undertaken were unfortunately not such as to mitigate the balance of locational factor in favour of these areas." He felt that industrial licensing policy had belied the expectations in this respect. The choice of projects to be established in backward areas was mostly inappropriate with hardly any multiplier effect. He observed that the specific location of most of the projects enjoying concessional finance had been found to be on the borders of developed centres or within close proximity of metropolitan cities. He therefore believed that "the very purpose of giving concessional finance, as a step towards achieving the desired dispersal was defeated", and therefore the results of concessional finance were not heartening. He also stressed that "the root cause of such a development lies in lack of comprehensive infrastructure facilities at such focal points of growth." He emphasised that ad-hoc efforts as in the past should be replaced by comprehensive planning and dedicated endeavour.

M.C. Shetty expressed his disenchantment about the efficacy of the capital subsidy scheme and its failure to attract industries to backward areas. He also criticised the existing licensing policy which, according to him, militated against development of resource-based industrial projects in backward areas. It was also rightly pointed out that "less developed districts in a backward state could not be treated on a par with less developed districts of the developed states." And therefore different policy measures should be adopted for the two.

maximum linkage

C.S. Venkat Rao emphasised that the projects choosen for backward areas should be such as would maximise the linkage effects in the region and leakages were kept to a minimum. He also pleaded for adequate infrastructure and supporting services.

Jayasimha stressed the importance of commissioning feasibility studies of identified projects. There should also be 'entrepreneural guidance and counselling' service and a programme to train local talents for entrepreneural tasks.

According to S.S. Mehta, a number of financial institutions are now working in this field and there should be coordination among them and IDBI could take the lead in this regard. A.C. Shah maintained that financial assistance from the public financial institutions had gone only to selected centres, especially those which had external economies. He wondered whether financial institutions could provide finance for creating infrastructure facilities in backward areas. It was therefore felt that government will have to take special steps to provide these facilities without which all other efforts may prove infructuous. He wanted that there should be a clearcut demarcation as to organisations that would provide various infrastructure facilities.

Opinion was also expressed that nationalised commercial banks were not playing their proper role in bringing about development of backward areas and that they should adopt the policy of differential interest rates.

Nayak Committee report came in for discussion and all seemed to agree that industries selected should be based on local resources, labour-intensive and those that would promote a number of ancillar industries.

What is wrong with our strategy fo developing backward areas? Every measur adopted seems to have failed! Is it tha there is no political will to back up the measures? Or is it that city-based policy-makers and urban-oriented financial administrators have just failed to truly appreciate the difficulties in bringing about development of backward areas and therefore think of inappropriate policies? Or is it that there is just no will or desire on the part of people in backward areas for development? The problem is baffling and will have to be examined empirically and some unorthodox policies and measures will have to be evolved and adopted.

BIO-GAS TECHNOLOGY

Bio-gas system has been receiving considerable attention in recent years as an extremely effective tool for decentralised approach to economic development. It is found that a number of developing countries and international organisations have been evincing keen interest in the bio-gas system from various points of view such as source of energy, bio-fertiliser, recycling of wastes, rural hygiene and development, pollution control and environmental protection, treatment of industrial effluents and urban wastes and so on.

In order to understand some of the vital issues connected with the bio-gas system, the Management Development Institute, New Delhi, undertook a survey of bio-gas establishments in India and a number of other Asian countries. In view of the growing importance of the system, the institute has thought it fit to bring out the monograph *Bio-Gas System in Asia*, embodying the findings of the study.

Bio-gas technology based on the decomposition of organic matter can be both a source of energy and of plant nutrients. Naturally there is considerable interest in many countries in developing bio-gas plants for the treatment of wastes from large-scale livestock and agricultural operations, urban wastes and certain industrial effluents. Since the energy and fertiliser crisis, bio-gas technology has come into limelight in countries like India as it is thought to offer great scope for the production of energy and organic fertiliser at the door-step of the villager. Apart from the use of bio-gas for house-hold working and lighting, it is claimed that the system can be built to provide energy for small-scale production operations such as pumping of water, village service facilities like clinical refrigerators and small-scale industries. The introduction of bio-gas technology in rural areas is also claimed to bring about various indirect benefits like improved sanitation and public-health, conservation of forest wealth and prevention of soil erosion and bringing science and technology to rural areas. In countries like India, interest in bio-gas system has been further augmented by increasing emphasis on integrated rural development.

But experience so far in India with bio-gas systems has brought to notice several actual and potential problems. Some of these relate to high costs of current plant designs, maintenance and management problems, low rates of gas production to meet minimum indivisible levels of demands, ineffective use of digested slurry, health hazards, psychological inhibitions and resistance and so on. These are all formidable problems, satisfactory solutions to which must be found if the vast potential of the bio-gas system in India is to be fully exploited.

middle class benefited

The report states that there are over 36,000 bio-gas plants in operation at present in India, of which nearly 70 per cent were set up during the last two years. Apart from cow-dung and night soil, trials are being carried out in the digestion of materials like grass, water hyacinth, wheat husk and so on. It is found that most units are owned by individual families which means gas is used essentially for cooking. There is considerable diversity in types of plants installed in India. The report has emphasised that some degree of standardisation in design and parts is desirable. It is possible to develop and foster a high level of local experimentation even on the basis of highly standardised parts, components and materials.

As regards the social and economic aspects, it was found that in India, most of the owners of bio-gas plants are from the middle class families. In one survey it was found that individual gas plant owner had on an average about 25 acres of land and 10 cattle heads. Most of the owners are literate and have subsidiary occupations like business or service. Motivation behind the use of bio-gas plant has been, apart from the value of gas, factors such as occasional kerosene scarcity, irregular supply of liquefied petrolium gas, scarcity of firewood in certain areas due to intensive cultivation and so on. It was found that the use of bio-gas plants has resulted in saving in time required for cooking, improvement in cleanliness of house, dress ond utensils etc. The motivation may further shift from gas to fertiliser. Disposal of cow-dung becomes a problem in urban areas and bio-gas plants come handy.

some deterrents

Some of the deterrents for setting up and use of bio-gas plants in India are factors such as high cost of plant, lack of space near homes, disputes about vacant lands, high water table, transportation of the slurry, immobility of gas plant, bringing dung from distant cow-sheds, handling of slurry, illiteracy among farmers, occasional breakdown of plants and absence of service facilities and prejudice against use of substances like night soil.

The report observes that the fertiliser aspect of bio-gas systems has not yet been fully appreciated in India. It is also pointed out that there is considerable scope for improvement of design and operation of bio-gas systems. There is scope for setting up community bio-gas plants for common uses as in schools and hospitals.

This study has pointed out the vast potentialities in a country like India of bio-gas systems and the various obstacles which are coming in the way of its widespread use. Here is one purely indigenous technology which has the potential to supply both energy for small-scale and cottage industries (apart from for domestic consumption), and fertilisers for agriculture, and thus help revolutionise India's rural economy and life. Our technological and financial institutions would do well to combine their efforts in improving the bio-gas systems and spreading their use. It may bring about rural development as possibly nothing else can !

ETHICAL MANAGEMENT

Business in India has come to be equated with corruption. Businessmen are looked upon as so many crooks. Business and corruption are thought of as twins. Bureaucracy, red-tapism and 'tip at every stage' are accepted as part of the game in most businesses in India; bribe has come to be thought of as part of business and business expense. There is the general impression that no business is possible in India without breaking laws with the help of bribery or under the table dealings. Naturally a question rises : How true are these impressions ? What are the ethical attitudes of Indian managers ? Is there increasing awareness among them about giving the consumer his due and employee a fair deal and that he has some special social responsibility ? Is the typical Indian manager aware of the new responsibility that has fallen on h's shoulders of building new progressive, democratic and socialist India ?

The Ethical Attitudes of Indian Managers, is the finding of the survey that Arun Monappa undertook to find out the reactions of managers at the middle management and senior executive levels. He took survey of about 115 managers and executives. What were their reactions to the dilemma they were facing in the country ? How do they feel when caught between the obligation to the company, to employees and to consumers ? How do managers resolve these conflicts ?

The author observed that a majority of business managers believe in ethical standards. But unfortunately various circumstances like unhealthy competition, company policy, and plethora of rules and regulations often prevent them from observing those high ethical standards in practice. It was found that the problems that caused the greatest concern to managers were those which involved 'buying business' using graft, bribes, personal favour. According to the author's findings, most managers do think of ethical implications of their decisions. Most managers were found emphasising the importance of company policy in influencing ethical actions, the manager's personal

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code of conduct occupying secondary place. The influence of superiors through whom company policy is often transmitted, was considered very important in influencing ethical actions. Dishonest methods used by rivals were often cited as possible deterrents to honest business transactions. Corruption and greed among government officials, red-tapism and suffocating regulations were considered by most businessmen to be obstacles to ethical business behaviour. The author also noticed that the attitude and reactions of older buriness managers demonstrated a greater ethical awareness in a given situation than that of younger managers. The size of the company, by and large, had no discernible influence on ethical considerations in decision-making.

Formal education and training seem to have no influence on ethical behaviour of business managers; nor had religion any favourable or unfavourable impact on their ethical behaviour. Certain occupations such as construction, engineering, banking, insurance and investment appeared to be more prone to encouraging unethical business practices. Most managers appear to welcomed the idea of a code of conduct and felt that each company would be the best authority to enforce such a code, which meant self-regulation would be better than regulations imposed from outside.

heartening feature

If the author's findings are to be believed, it is a heartening thing that modern Indian business managers are showing due awareness of ethical considerations in their business affairs. This is bound to happen with the entry into Indian business world of trained and professional personnel. But the author's methodology is highly suspect and thoroughly inadequate for the purpose. Basing one's conclusions on responses from only 115 business managers to a questionnaire prepared by the author may not truly reflect the reality because no business manager, or for that matter no individual, would admit that he indulges in unethical practices. At present we in India are not even honest enough to admit that we are a dishonest people ! Were it not so, things would not have come to the pass to which they have even after three decades of independence. The author should have consulted the other party to business and sought their views on the moral attitudes of modern Indian managers. That would probably have given a truer picture. In business as in life, it is not enough that we are honest; others must also be convinced that we are honest !

FUTURES TRADING

Futures markets in the country in several commodities like cotton, oilseeds, foodgrains, etc. began some time in the latter half of the 19th century. These futures markets functioned almost uninterruptedly till the beginning of world war II. All those years the importance of these markets and their economic utility in marketing of agricultural commodities were indisputably recognised, not only by the trade and industry but also by officials and the academic circles.

Soon after independence the government of India brought on the statute book Forward Contracts (Regulation) Act with a view to reviving futures trading in most commodities which was banned during the period of world war II. During 1950s therefore a number of futures markets were set up all over the country for trading in such commodities as cotton, oilseeds, raw jute, jute goods and even gold and silver.

But during 1960s futures markets suddenly came under a cloud. In the case of most of the commodities futures trading was either banned or disallowed by the authorities. In the case of some other commodities like castorseed, linseed, jute goods, etc although such trading was allowed, it came to be subjected to severe regulatory measures.

The objective of *Efficiency of Futures Trading* by Rama Pavaskar is "to examine the efficiency of futures markets in two of the most important oilseeds, namely, groundnut and castorseed." The authoress has made an attempt to examine the efficacy with reference to two major functions of future markets—the hedging function and the price stabilisation function.

In view of the official and even general bias against futures markets in especially agricultural commodities, it would be instructive to examine the findings of this study.

The bias of the two oilseeds futures markets against short hedges notwithstanding, their economic efficacy for both hedging and price stabilisation cannot be overemphasised. While the long hedgers generally benefited from these futures markets, the short hedgers also benefited partially through limited and selective hedging. According to this study, the benefit to the economy as a whole was probably greater because of the sobering influence exercised by the futures markets in the two oilseeds on their ready price. According to the authoress, therefore, the present study thus "dispels the widespread misconceived fears about the economic utility and efficiency of commodity futures markets". The authoress therefore has righty urged that "so long as the free market system is not abandoned in farm commodities, the institution of futures markets must be restored to its rightful place in the economy so that all sections of the community—farmers, merchants, manufacturers and consumers—could benefit from it."

There are certain limitations from which the study suffers. The study is confined to futures markets in only two commodities. Also, in the absence of any authoritative published data on hedges, the efficiency of these two futures markets for hedging has come to be assessed with respect to only hypothetical hedges rather than actual hedges.

Edible oil happens to be one commodity over which regulations either of the Reserve Bank or government of India seem to have had no effect since independence. Very wide fluctuations in edible oil and groundnut have proved to be a headache both to the government and to the people. This study dealing with futures markets in two of the important oilseeds should provide guidelines to policy makers.

DURGAPUR RECALLED

Bagaram Tulpule, a founder-member of Mill Mazdoor Sabha and a well-known labour leader who has spent more than three decades in activities connected with trade unionism in India, took over the challenging task of general manager of Durgapur steel plant and held that post from December 1971 to the middle of May 1975. When Tulpule took over the post of the general manager, Durgapur had already earned in the industrial world a great amount of notoriety with poor pro-

ction, chaotic industrial relations, per-
tual industrial conflict often resulting in
olence, and heavy losses. It was a 'sick
ild' of the Indian industrial world. Tul-
le's represents a unique experiment in
dia's industrial development and demo-
acy in that a labour leader is put in
erall charge of a major public sector
dustrial unit in the country. In his book,
nidst Heat and Noise—Durgapur Recall-
l, Bagaram Tulpule has given a subjec-
ve account of his management tenure at
urgapur, recalling the trauma and ten-
ons in managing a tension-ridden indus-
ial unit, all the more absorbing because
e experiences are recorded by a person
hose entire youthful life had come to be
evoted to upholding the cause of workers.
his personal account by a labour leader
trusted with the task of managing a big
ublic sector unit will have a rare signifi-
nce to managers, industrial policy-
akers, workers and trade union leaders
ho are all in quest of newer forms of
dustrial organisation that is in confor-
ity with industrial democracy. His ex-
eriences and suggestions should receive
ue attention not only in India but in all
ountries which have accepted democratic
orm of government and a mixed economy.

Ruhr of India

The author has described in detail the
anner in which Durgapur steel plant
ame to be established with the aim of
ventually turning the area into 'Ruhr of
ndia', the socio-political setting of the area
hich was characterised by trade union
valry often resulting in violence, the
roblems of restoring order out of chaos,
he problem of autonomy versus centrali-
ation and the day-to-day functioning at
Durgapur, the problem of making manage-
ent effective, the input shortages and
echnical problems, some major confron-
ations at Durgapur in the form of strikes
nd conflicts between the Steel Authority
f India Limited (SAIL) and the manage-
ent at Durgapur which eventually led to
he resignation by the author. The descrip-
ion is of a matter of fact nature and infor-
ative but makes rather uninteresting
eading. But the lessons drawn by the
uthor and the suggestions made naturally
orm the most valuable and interesting
art of the book.

The author has great belief in the public sector acting as a lever for transforming India's socio-economic order from exploitation, inequality and injustice to one of social justice, human dignity and equality of opportunity. Naturally problems of management and of workers in public sector industries become a matter of great significance.

social objective

The author is of the opinion that the social objective behind the public seetor units should take precedence over earning surpluses. While public sector units should be subject to some sort of control by government, the author is of the opinion that the scope and nature of such control and the manner in which it is exercised are by no means clear, conceptually or in practice. The author has opined that quite a few of the problems facing public sector units arise from this uncertainty and modalities of such control. The author is very critical that public sector units get very little guidance in matters of policy and broad objectives, while in matters in which the public sector unit is supposed to be autonomous, it finds itself constantly subjected to queries, criticisms and controls. He is of the opinion that public sector units should enjoy true autonomy so essential for speedy decisions and sound business practices. Policy in major matters should be distinguished from management and the unit should not be under ministerial and parliamentary control in management matters. In actual practice there is a great amount of ministerial interference in management affairs with often disastrous consequences and with extremely adverse effects on the efficiency of public sector units. This should be stopped so that management has the opportunity of showing initiative. The author is firm that there should be "clear definition of authority and total accountability of a manager within his area of delegated authority...." According to him, this reform must begin with the ministers.

State governments have shown keen interest in the affairs of central government industrial units as they are responsible for labour matters. Often this results in central industrial units coming under considerable pressure by state governments which might insist on 'sons of soil' policy.

The author wants that management of public sector units should be fair and responsive to legitimate aspirations and needs of employees. But he also insists that "the management should deal firmly with gross indiscipline, frequent wild-cat work stoppages on flimsy grounds, gheraos and such other situations." The state governments wanting to keep labour force pleased due to political and other factors, should not interfere in matters of discipline. The line between firmess and obstinacy can be placed at different points depending upon their objectives and priorities. The author is also of the opinion that because of all these pressures, the management is finding it difficult to establish bipartite relations with employees and their unions.

workers' attitude

Tulpule is of the opinion that in spite of job security, better emoluments and many other benefits, one does not find among employees of public sector units correspondingly high morale, greater sense of belonging and deeper concern for productivity. In fact, workers are found to be indifferent and often positively hostile and alienated. It is high time that policies at the government and management level were so devised that this attitude of employees which commonly prevails in most public sector units is completely changed. With professional management gradually emerging in public sector units, the picture is slowly changing; but still quite a long distance is to be traversed in matters of happy management-labour relations in public sector units in India.

Bagaram Tulpule's has been a unique experiment. When placed in the chair of a general manager requiring to deal with employees, his views appeared to have changed and were similar to those held by any private entrepreneur in regard to attitude, behaviour and productivity of labour. Does it mean that labour leaders behave irresponsibly? Does it mean that fulminations of private sector entrepreneurs about uncooperative attitude of workers are justified? What is the point in inciting labour, if that goes only to make labour irresponsible refusing to play its legitimate role, even when their demands are met? Or is it that labour leaders keep fires burning, so that they may always be in the limelight? At least two of the labour leaders who have climbed over the backs of workers to the present position of cabinet ministership at the centre have not so far cared to utter one word of admonition to workers when strikes are galore! After reading the candid account by Bagaram Tulpule, it would be interesting to wait and see what type of role as a labour leader he again plays, if and when he chooses to do that.

Auditing concepts

Taylor and Perry's "Principles of Auditing": Leslie R. Howard; The English Language Book Society and Macdonald and Evans, London and Plymouth; Nineteenth Edition (Low Price Edition); Price £ 2.25

Reviewed by **K. N. Memani**

The number of editions through which this book has passed over the 50 years since the first publication definitely indicates its usefulness to the students for whom the book is meant. The author has pointed out in the preface to the present edition that auditing has now become a continually changing subject. In fact auditing is mostly changing in scope rather than in techniques and procedures. Certain developments in the technological sphere and in the economic environment have indeed exercised some influence on auditing in the past two decades and they by now have ceased to be anything new. Notable among them are application of sampling technique in auditing, analytical auditing and auditing of computerised records. The author has included these in the book. Also the horizontal expansion of auditing in the management sphere, i.e., management audit, finds its place in the book. Excepting these the book devotes entirely to the traditional concepts associated with auditing including the legal implications.

The author has generally dealt with the subjects in a logical order; from the fundamentals and concepts it leads to the actual field work of auditing. He has presented the subjects in a brief but meaningful way and this very quality would help the students to grasp the essentials they should know. Another feature of the book probably considered attractive by the students is the question and answer feature spread throughout the book. In the view of the reviewer the quality of the book would have been enhanced if it only provided intelligent and objective questions at the end of each chapter without the answers. This would have helped the students to 'think' instead of being spoonfed through the book. If desired, hints to the problems could have been supplied only at the end of the book.

At places, however, it seems that the author has sacrificed quality for the sake of brevity. For example, the sketchy introduction to the highly potential new thinking on analytical auditing is with the words— "Analytical auditing is concerned simply with classifying the work flow by presenting it pictorially". Analytical auditing really is a far more exciting proposition than what it has been made to look. It concerns with the analysis of the structure and design of the accounting system which produces accounting data. Instead of verifying the accuracy of various accounting data, if the auditor can effectively analyse the system itself, the result would be far more rewarding in terms of effectiveness, time and cost. Such a revolutionary thinking should have received more detailed consideration by the author.

The subject 'management' audit has been dealt with competently. The author could have introduced some typical vocabulary in the area of mechanised and EDP systems. In the traditional areas, the author has dealt with all the conceivable things with due clarity keeping the average student's need in view. The book is updated up to 1975 in so far as the references to the statements of Standard Accounting Practices and Recommendations of the Institute of Chartered Accountants in England and Wales are concerned. The book contains some references to International Accounting Standard on Valuation and Presentation of Inventories in the context of the Historical Cost System. The treatment seems inadequate. Also, there appears no reference to IAS-1 which is by far more important and fundamental in character.

On an overall analysis the textual part of the book is reasonably presented and uptodate and should be of use to the students for the professional courses as well as to the teachers in Auditing and Audit Practitioners.

Know your Gandhi

The Collected Works of Mahatma Gandhi: Volumes 67, 68, 69 and 70; Published by the Publications Division, ministry of Information and Broadcasting, government of India; Price Rs 9 per volume.

(Volume 67 covers the period April 1— October 14, 1938; Volume 68 the period October 15, 1938—February 28, 1939; Volume 69 the period March 1—July 15, 1939; and Volume 70 the period July 16—November 30, 1939.)

Reviewed by **V. Balasubramanian**

The volumes include the letters written by Gandhiji and some of the speeches or statements made by him during two of the most critical years of the Freedom movement.

Volume 67 is occupied with the question of land reforms, strikes and picketing, the deterioration in the communal situation and internal tensions tending to weaken the Congress.

Volume 68 is mainly concerned with the intensification of the struggle of the states' people for responsible government and Gandhiji's attempt to respond to their need.

Volume 69 features the popular demand for reforms in princely states and the crisis in the Congress leadership, leading to Subhas Chandra Bose's resignation from the Congress presidentship.

Volume 70 relates to the attempt of the Indian National Congress to define its attitude to India's participation in World War II and Gandhiji's efforts to "find means other than civil disobedience . . . of dealing with the crisis".

It is not easy to go through these volumes since they contain a lot of trivia. Moreover Gandhiji's letters are published here without being linked to letters to which they were replies or letters which he received in reply. As a result, many of the references and allusions are difficult or even impossible to make out or appreciate. Nevertheless the studious reader will find his labours well rewarded. There are numerous nuggets of priceless information about one aspect or another of this great man and his many-splendoured personality. This series is thus rich raw material for the chronicler and the historian. It also offers delightful reading to those who merely seek to know a little more of the thoroughly human Mahatma.

Books received

The Shifting and Incidence of the Corporation Income Tax : Balbir S. Sahni & T. Mathew; Published by Rotterdam University Press; Badhuisweg 232's; Gravenhage, Holland; Pp. 197; Price Dfl 54.10.

Primary Commodity Prices: Analyeis and Forecasting : W. Driehuis, Ed. and Published by Rotterdam University Press, Badhuisweg 232 's Gravenhage, Holland ; Pp. 345; Price Dfl 74.90.

Efficiency of Futures Trading : Rama Pavaskar; Published by Popular Prakashan, Bombay; Pp. 141; Price Rs. 30.

Towards an Industrial Policy—2000 A.D : P.D. Malgavkar and V.A. Pai Panandiker; Published by Centre for Policy Research; New Delhi; Pp. 68; Price Rs. 25.

World Importers of Engineering Products —Vol. I : Paras Ram; Published by Anupam Publishers, Delhi ; Pp. 420 ; Price Rs. 55.

World Importers of Engineering Products —Vol. II : Paras Ram; Published by Anupam Publishers, Delhi ; Pp. 200 ; Price Rs. 45.

India's Economic Policy : Charan Singh; Published by Vikas Publishing House Pvt Ltd; New Delhi; Pp. 122; Price Rs. 30.

Amidst Heat and Noise : Bagaram Tulpule; Published by All India Management Association, New Delhi, Pp. 133; Price Rs. 35.

The Ethical Attitudes of Indian Managers : Arun Monappa; Published by All India Management Association, New Delhi; Pp. 124; Price Rs. 30.

The Associated Labour Act : Dragoljub Durovic; Published by Dopisna Delavska Univerza, Ljubljana, Bolgrade; Pp. 419; Price not given.

Two-Unit Monetary System : Purushottam Shroff; Published by Vichar Shodh Sansthan, Calcutta; Pp. 146; Price Rs. 10.

North East India—A Sociological Study : S.M. Dubey Published by Concept Publishing Co., Delhi; Pp. 424; Price Rs. 96.

Scheduled Caste Women : H.R. Trivedi; Published by Concept Publishing Co; Delhi; Pp. 250: Price Rs. 60.

Planning in India—Theory & Practice: V.T. Krishnamachari & S. Venu, Published by Orient Longman, Madras; Pp. 185; Price Rs. 15.

Government and Politics of Big Cities: Ali Ashraf ; Published by Concept Publicing Company, Delhi ; Pp. 185; Price Rs. 32.

The Contents of Economic Growth : Bhabatosh Datta; Published by Research India Publications, Calcutta; Pp. 255; Price Rs. 50.

Public Enterprise Investment Decisions in India : A. Besant; C. Raj, Published by Macmillan Co. of India Ltd; Pp. 226; Price Rs. 58.

Unemployment in India : Policy for Manpower : K. Puttaswamaiah, Published by Oxford & IBH Publishing Co., New Delhi; Pp. 184; Price Rs. 50.

RECORDS AND STATISTICS

A Quarterly Bulletin of "Eastern Economist" this publication surveys important developments in each quarter in the various fields of the national economy as well as in the world economy, organizes its material in convenient form and illustrates it with diagrams, graphs and charts. Its features are a business roundup, an analysis of markets and an investment supplement.

The Bulletin averages 64 pages and is priced at Rs 5 per copy. The annual subscription is Rs 20.

Inquiries regarding subscription and advertisement may be addressed to :

The Manager,
The Eastern Economist Ltd,
Post Box No. 34, New Delhi-1

TRADE WINDS

Railway Freight and Traffic

HE ORIGINATING revenue-arning freight traffic of the ailways in November, 1977 mounted to 16.41 million ton-es, less by 1.92 million tonnes s compared to the correspond-ng month of last year. Cumu-ative total revenue-earning onnage lifted by the railways rom April to November, 1977 vas 136.57 million tonnes, 2.02 nillion tonnes more than the orresponding figure of the previous year. There was in-reased movement under all he plan head-wise commodi-ies, except raw material for teel plants, pig iron and finish-d steel from steel plants, ferti-izers and other goods as com-pared to the corresponding period of last year.

The approximate number of passengers booked in the month of November, 1977 was 281 million, an increase of 7.11 million (2.59 per cent) compared to November, 1976. Both suburban and non-sub-urban traffic registered an in-crease of 2.99 and 2.09 per cent respectively as compared to the corresponding month of last year.

The approximate number of passengers booked during the period April to November, 1977 totalled 2,301 million, registering an increase of 123.6 millions (5.68 per cent) over the previous year's level of traffic. During this period, both suburban and non-sub-urban traffic showed an increase of 6.34 and 4.91 per cent respectively over the corresponding period of previous year.

Increase in Tourist Arrivals

More foreign tourists visited India during the first 11 months of this year than in the whole of 1976. A total of 569,171 tourists visited this country during January to November 1977, registering an increase of 20.8 per cent over the corresponding period of previous year. Tourist arrivals in the whole of 1976 totalled 533,951. In November alone, 65,077 tourists came to India as against 53,942 in November, 1976, registering an increase of 20.6 per cent.

Geological Survey Reorganised

The Geological Survey of India happens to be the third oldest organisation of its kind and the second largest in the world. Only last year, it celebrated the completion of its 125 years of service to the nation. While the GSI has been rendering signal service to the country in diverse ways, the rapid growth of the organisation in recent years had created certain problems of its own.

As an organisation grows in size and starts operating from multiple bases, its management problems become more and more complex. Furthermore, when the organisation is concerned primarily with scientific work output and all the rewards it can offer are based only on promotion to administrative managerial positions and not on the basis of scientific excellence, the problems become even more complex. Taking all these aspects into account, the report has made a number of recommendations which, when implemented, should help the GSI move towards a better future in the service of the nation.

The major recommendations include : The authority for according sanctions as well as holding accountability will be brought closer to the GSI through a management council to which the government will delegate adequate powers.

Team Leader

The functioning, exercise of authority and accountability of GSI (and its units) will be within the framework of an activity oriented budgetary system. The "team leader" of each authorised activity would be given full authority and responsibility for his work. He will also be held fully responsible for the functioning of his team. These steps will remove delays in the existing procedures, requiring multiple fragmentary sanctions. By involving multi-disciplinary teams in the planning and execution of their programmes (with control over the resources and accountability for their use and the results), the proposed arrangements are expected to produce a greater sense of participation and involvement of each officer in his work. Both the operational control of the work, as well as the provision of specialist guidance are proposed to be based on a matrix pattern making use of different types of expertise in regard to different types of guidance for work. This should both speed up the output as well as improve the quality of work. Proposals have been made to improve the supporting engineering, drilling, purchase and stores services, through the introduction of systems analysis, O & M studies and materials management.

The government has since approved the report in principle and has constituted the management council, for overseeing the implementation of the recommendations of the committee. The management council will, for the present, comprise of the following: Mr M. Sondhi, Secretary, ministry of Steel and Mines, (Chairman); Dr A.K. Ghosh, Additional Secretary, Department of Mines, (Alternate Chairman); Director General, GSI; Representative of ministry of Finance; Mr A.B. Dasgupta, Retd. Managing Director, Oil India Ltd; Mr Y.K. Murthy, Chairman, Central Water Commission; Dr Hari Narain, Director, National Geophysical Research Institute, Hyderabad; Dr B.P. Radhakrishna, Chairman & Managing Director, Chitradurga Copper Corporation, (all Members) and Mr G. Ghosh, Deputy Secretary, Department of Mines (Member-Secretary.)

Public Distribution System

The government of India considers that building up of a strong public distribution system has to be an integral part of government's wage, income and prices policy. In this task, consumer cooperatives in the urban areas and agricultural cooperatives in the rural areas were assigned a central role in production, procurement as well distribution. This was indicated by Mr Mohan Dharia, minister for Commerce, Civil Supplies and Cooperation, in his welcome address on the occasion of conference of tate ministers of Cooperation ecently. Emphasising the need or de-politicalisation and de-fficialisation of the cooperative novement as a pre-condition or its healthy growth, Mr Dharia urged the state minisers to consider the National Cooperative Policy Resolution, vhich had been placed before he conference, to provide the irective principles for the ealthy development of cooperatives in the future. The resolution was drafted on the basis of a conference of Registrars of Cooperatives Society held last month.

Stress on Indigenous Technology

There should be no dependence on technology from outside as long as such technology is available in India, or can be developed by our scientists. This was emphasised by Mr Morarji Desai, prime minister and chairman, Planning Commission, at the second meeting of the consultative committee of the Planning Commission held here recently. He urged the members of the consultative committee to adopt groups of 10-15 villages in their constituencies and try to improve their conditions of living by introducing better techniques in their day to day occupations. He said that initiative must be shown by the people and practical suggestions to improve life in rural areas should be put up to the government.

Replying to a question on the afforestation programme in states, Mr Desai emphasised the importance of preservation of forests and said that public cooperation is very necessary to stop the exploitation of forest wealth and improve the degraded forests. He also suggested that cooperative societies of tribals should be formed and used for operating the coupes and other forest resources instead of inducting the contractors in this. He added that the farmers should be self-reliant. They should be encouraged to grow their own seeds instead of depending on outside supply. In our enthusiasm for the use of chemical fertilisers, he said, the role of organic fertilisers had been forgotten. In India we have abundant sources of organic manure, which, if properly utilised, could make an impact on the agricultural production.

In the context of the policy of the government in this matter of achieving self-reliance in the field of science and technology, particularly regarding the import of technology, Mr Desai stated that there was no question of dependence on technology from outside. The policy of the government had been that foreign collaboration for technology was permitted only in fields of high priority and in areas where such an import was considered essential.

Output of Copper

Hindustan Copper produced 1878 tonnes of copper wire bars in November, 1977 as compared to 1138 tonnes produced in November of the previous year. The cumulative production of wire bar during the April-November period of the current financial year was 12,130 tonnes as compared with 11,881 tonnes in April-November in the previous year. Production of copper cathodes of 2,099 tonnes in November, 1977 was higher than the 1,855 tonnes in November last year; the cumulative production during April-November, 1977 was 13,913 tonnes as against 13,796 tonnes during the comparable period of the previous year. At the Khetri Copper Complex the Rajasthan State Electricity Board applied a 20 per cent power cut. Production at Ghatsila continued to suffer because of heavy load shedding.

Tables below give the production figures for the two main units of Hindustan Copper:

Indian Copper Complex: Ghatsila

(Figures in M/T)

Product	April-Nov. 1977	April-Nov. 76
Ore milled	845,263	785,568
Blister copper	8,432	10,187
Cathodes	6,525	7,377
Wire bars	5,325	6,632
Kyanite	15,163	17,989
Silver (in kg)	794	474
Gold (kg)	126.2	16.0

Khetri Copper Complex: Rajasthan

(Figures in M/T)

Product	April-Nov. 1977	April-Nov. 76
Ore milled	721,332	699,316
Blister copper	4,662	3,378
Cathodes	7388	6,419
Wire bars	6,805	5,249

Expenditure of Rural Households

The aggregate capital expenditure in agriculture and allied activities, non-farm business and residential housing of rural households in India during the year ended June, 1972 is estimated at Rs 1,832 crores, representing an increase of 74 per cent over the corresponding estimate for 1961-62. This was revealed by a publication on statistical tables relating to capital expenditure and capital formation of rural households during the year ended June 30, 1972, published by the Reserve Bank. Expenditure on durable household assets, according to the RBI survey, went up from Rs 47 crores in 1961-62 to Rs 161 crores in 1971-72, an increase of over 240 per cent. Allowing for expenditure on repairs and replacements but excluding transfer items such as purchase of land, as also for the expenditure on durable household assets, the estimated amount of total fixed capital formation in farm and non-farm business and residential housing registered an increase of 107 per cent over the decade, rising from Rs 349 crores in 1961-62 to Rs 721 crores in 1971-72.

Farm business accounted for nearly half the total amount of fixed capital formation during both the years, whereas the share of residential housing registered a slight decline from 44 per cent in 1961-62 to 40 per cent in 1971-72. Fixed capital formation in farm business alone during 1971-72 was Rs 356 crores compared to Rs 167 crores during 1961-62.

Major Item

Purchase of agricultural implements and machinery was the major item of capital formation in farm business, accounting for 28 per cent of the total in 1961-62 and 43 per cent in 1971-72. During both the years, investment in wells and other irrigation resources accounted for about 27 per cent of the fixed capital formation in farm business. Punjab and Haryana had shown a phenomenal increase in fixed capital formation in farm business, the total for the two states together rising from Rs 8 crores in 1961-62 to Rs 61 crores in 1971-72. Uttar Pradesh, Gujarat, Madhya Prodesh, Maharashtra and Rajasthan were the other states which showed impressive increases over the decade. The average expenditure per household in farm and non-farm business, residential housing and durable household assets put together in 1971-72 was Rs 258 against Rs 161 in 1961-62. Per capita fixed capital formation in farm and non-farm business and residential housing was Rs 93 in 1971-72, against Rs 51 in 1961-62.

Saltless Curing of Leather

The Central Leather Research Institute (CLRI), Madras, has developed a new method of curing raw hides and skins with a mixture of organic compounds obtained from neem oil. This method dispenses with the use of common salt which forms a major pollutant in tannery effluents. The use of these compounds has been found to be satisfactory, in comparison to conventional methods using salt. The advantages of the new method are: (i) There is no deterioration in quality of skins during storage; (ii) soaking back is easy as there is no need to resort to the use of wetting agents and bactericides; and (iii) transportation cost is reduced and the quality of final leather is comparable with that of leathers obtained from wet-salted stock.

A solvent fatliquor blend has been formulated using entirely indigenous fatliquors and a cheap and commercially available solvent. The main advantages of the blend are: (i) The leathers produced are lighter and softer and the softness is obtained with a lesser amount of fatliquor; (ii) the penetration is satisfactory and the feel obtained is similar to the one obtained generally with mineral oils; and (iii) tanners can easily prepare this blend in their own tannery from indigenous fatliquors which are being used at present.

Revision of Air Parcel Rates

The P & T department is revising the postage rates for air parcels to foreign countries from January 1, 1978. The new rates for some countries are as follows:

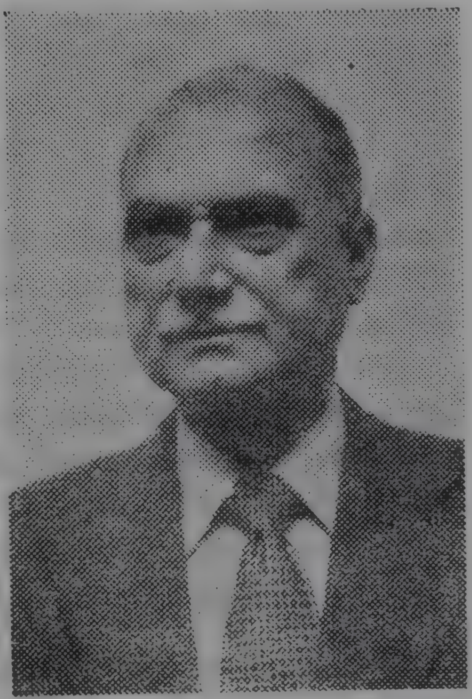
Country	For the first 250 gms	For every additional 250 gms or part thereof
	Rs	Rs
Afghanistan	28.70	2.30
Australia	33.30	7.60
Burma	25.70	2.20
Canada	31.60	11.50
Checho-slovakia	33.30	5.50
France	43.90	6.10
Germany (FRG)	24.60	5.40
Germany (Dem. Rep.)	33.10	5.40
Great Britain	41.60	6.00
Italy	28.20	5.30
Japan	38.50	4.60
New Zealand	35.20	8.70
Pakistan	26.50	2.50
Singapore	22.20	3.00
Sri Lanka	32.90	1.50
USSR		
In Europe	26.90	5.70
In Asia	32.80	6.20
USA	28.90	10.60

Facts on Engineering Industry

The Association of Indian Engineering Industry has released the latest edition of the Handbook of Statistics-1977. It gives comprehensive data on installed capacity, production, capacity utilisation, imports, exports and other important information relating to engineering industry in particular and other industries in general. Statistics in the 'Handbook' reveal that industrial growth since 1965 averaged only four per cent as compared with the average annual growth rate of eight per cent from 1956 to 1964. The most fundamental problem of the Indian economy continues to be its inadequate growth rate. In the seventies the growth rate averaged about 3.5 per cent per annum, far short of the plan targets. The country has no doubt made significant progress since independence but the economy is unable to sustain an average growth rate of five per cent. In 1976, the industrial growth rate enhanced by 10 per cent and that of engineering industry by 12.1 per cent.

Names in the News

Lt. General N.C. Rawlley, PVSM, AVSM, M C, former Vice-Chief of the Indian Army Staff, and presently, general manager of the Assam Oil Company, has taken over from Mr J.C. Finlay, MC, who retired on December 22, 1977—as Burmah Oil Group of Companies representative in India, in addition to his responsibilities as the chief executive of the Assam Oil Company. Lt. General N.C. Rawlley will now operate from New Delhi. Lt. General N.C. Rawlley is also a director on the board of Oil India (OIL) and the Tinplate Company of India Limited (TCIL). He is a member of the British Institute of Management and the Indian Institute of Marketing and Management.



Lt. Gen N. C. Rawlley

Mr J.C. Finlay, MC, who retired from the Burmah Oil Group's services on December 22, 1977, is being appointed as Consultant by the Burmah Oil Company, UK to represent company in the negotiations regarding government's takeover of the assets of the Assam Oil Company and of Burmah's 50 per cent shareholding in Oil India Limited, in which capacity he will, as necessary pay visits to India. Mr Finlay's association with India and the Indian sub-continent has been long and eventful. He came to India in 1942 during World War II and served in the British Army with the Chindits in Burma. He became Lt. Colonel in 1945 and was awarded the Military Cross for gallantry in 1944.

Mr J. C. Finlay

COMPANY AFFAIRS

Siemens India

The directors of Siemens India Ltd, have proposed an ordinary dividend of 16 per cent for the year ended September 30, 1977. As much as 10 per cent of the dividend will be tax free in the shareholders' hands under Section 80K of the Income Tax Act, 1961. The company issued bonus shares on August 25, 1977, in the ratio of one share for every two shares held. The bonus shares as per terms of issue shall participate for the full proposed dividend for the financial year 1976-77.

Sales touched Rs 76.1 crores (Rs 73.3 crores)—an increase of four per cent. Orders booked were Rs 77 crores (Rs 72.9 crores); the pending order position stood at Rs 46.6 crores (Rs 45.5 crores). The gross profit rose to Rs 10.11 crores (Rs 9.29 crores). After depreciation of Rs 1.45 crores (Rs 1.27 crores), taxation Rs 5.73 crores (Rs 4.86 crores) and adjustment for previous years for taxation of Rs 43 lakhs, the disposable profits declined from Rs 3.17 crores to Rs 2.50 crores. The decline in the disposable profits is due to the increase in the effective rate of taxation and also adjustments for previous years for taxation.

Tata Mills

The Tata Mills has passed over the equity dividend for the year ended September 1977, as it did for the previous 9-month period ended September 1976. The company has continued to show discouraging working results for the year. According to the brief preliminary statement, sales had totalled Rs 22.60 crores for 1976-77 against Rs 13.38 crores for the previous 9-month period. The working has resulted in a loss of Rs 17.90 lakhs against the loss of Rs 112.27 lakhs. After providing Rs 41.40 lakhs (Rs 28.48 lakhs) for depreciation, there was a net loss of Rs 59.30 lakhs (Rs 140.75 lakhs). After considering the bonus of Rs 31.57 lakhs for 1976 and a transfer of Rs 28 lakhs from the development rebate reserve there was a deficit of Rs 62.87 lakhs

Great Eastern Shipping

The freight and charter hire earnings of the Great Eastern Shipping Co in the first half of the current year (July-December) was estimated at Rs 17.56 crores compared to Rs 26.65 crores in the same period of the previous year. Mr Vasant J. Sheth, chairman, had stated that the freight market continued to be depressed and that there did not appear to be any sign of recovery in sight at least for the next two to three years. A recovery in dry cargo market was expected from 1979 and the tanker market recovery was estimated to take longer, that is beyond 1980. Mr Sheth said that the Shipping Development Fund Committee (SDFC) had approved the Rs 88.91 crore programme of the company prepared at the end of 1973 and asked it to go ahead. The SDFC at its meetings approved loans of about Rs 17 crores, being 30 per cent of the cost of the OBO carriers and about Rs 5.50 crores being 40 per cent of the cost of the product carrier. The commitments were, however, not fulfilled and the company was given a small loan of Rs 1.89 crores in respect of the product carrier.

Moreover, the company had to pay Rs 8.75 crores as escalation for the pioneer type ships ordered with Hindustan Shipyard, which resulted in annual interest of Rs 39 lakhs and of additional depreciation of Rs 44 lakhs in the additional price, and resulted in reduced profitability. Even the joint venture which was to be established by the company in Singapore was ultimately not approved by the government. This joint venture would have brought a profit of Rs 1.5 crores to the company on sale of one of the pioneer ships. Mr Sheth has suggested that there was urgent need for drastic revision of policy with regard to the shipping industry.

Gajra Gears

Gajra Gears has reported encouraging performance on the export front. Although the company's total turnover declined from Rs 2.80 crores during the year ended March. 1976 to Rs 2.60 crores during 1976-77 exports increased from Rs 10.41 lakhs to Rs 23 lakhs. The company's turnover in the current year 1977-78 was expected to rise to Rs 4 crores (including exports of Rs 45 lakhs) and further to Rs 8 crores in 1978-79 (including exports of about Rs 1.50 crores). The company has been exporting its products to several countries including Australia Singapore, Malaysia, Thailand Ceylon, Pakistan, Iran, Egyp Tanzania, Yugoslavia, the UK and the USA. At present th pending export orders are o the order of Rs 85 lakhs whil additional order for Rs 50 to Rs 60 lakhs are expected to be finalised shortly from Australia.

Exports of gears were paying, since exporters get 15 per cent cash subsidy, three per cent duty drawback and 40 per cent entitlement licences. Moreever, larger exports gave a base for development of the indigenous units, which could cater to the domestic market more efficiently. The gear industry, which was facing difficult conditions for the past two years or so, looked forward to better days ahead, with signs of a pick-up in demand for quality gears in the domestic market and rising overseas demand.

Chowgule Steamships

The directors of Chowgule Steamships have reconsidered their earlier decision to pass over the dividend and have now proposed a lower equity dividend of 10 per cent for the year ended March 1977 against 20 per cent for the previous year. The entire dividend was expected to be tax-free in hands of shareholders. The bonus shares issued in June, 1977 would not rank for the proposed dividend. The company's working during the year resulted in a lower gross profit of Rs 2.61 crores against Rs 2.68 crores in the previous year, despite the increase in freight and charter hire receipts to Rs 13.60 crores from Rs 11.36 crores. After providing Rs 2.26 crores (Rs 1.35 crores) for depreciation and nil (Rs 30 lakhs) for development rebate the net profit works out at Rs 34.54 lakhs (Rs 1.03 crores). There is no tax liability for the current year.

The expansion plans were progressing as per schedule. The company has already placed orders with the Japanese shipyard for a 84,000 DWT pellet carrier and with Cochin Shipyard for a 75,000 DWT bulk carrier. With these acquisitions, the company's fleet would go up to 381,704 DWT. from the present 222,704 DWT. The Japanese ship would be used in the Goa-Japan run for the carriage of iron ore pellets to be produced by Mandovi pellets in which company has made an investment of Rs 50 lakhs which forms about nine per cent of that company's paid-up equity capital. The company continues to enjoy the benefit of captive cargo because of the substantial iron ore exports by group companies and the groups long-standing association with the Japanese steel industry.

Gajra Bevel Gears

Gajra Bevel Gears, which is setting up a Rs 4.80 crore plant at Dewas (Madhya Pradesh) for the manufacture of ring gears and pinions and differential gear kits with an annual capacity of 945 tonnes, proposed to enter the capital market shortly with a public capital issue of 1.05 million equity shares of Rs 10 each at par. Commercial production is exexpected to commence around May 1978.

S and H Gears Pvt Ltd is being converted as a wholly-owned subsidiary of Gajra Bevel Gears at the instance of the financial institutions. The company has been in production since 1974. It hopes to generate sufficient cash and declare a maiden dividend for the current year.

Rollatainers

Rollatainers has shown improved results during the year ended September, 1977. The company has earned a gross profit of Rs 30.21 lakhs on a turnover of Rs 2.69 crores during the year against Rs 32.25 lakhs on the turnover of Rs 3 crores for the previous 15-month period ended September 1976. After providing Rs 10.03 lakhs (Rs 11.87 lakhs) for depreciation there is a profit of Rs 20.18 lakhs against Rs 20.38 lakhs. An equity dividend of 12 per cent, has been declared for 1976-77. The dividend for the previous 15-month period was 12 per cent. The entire dividend will be tax-free in the hands of share holders under Section 80 K of the Income-Tax Act.

Atlas Copco

Atlas Copco (India) Limited has introduced a new portable compressor. It is the two-wheeled version of the VT6 compressor and is powered by the Ashok Leyland diesel engine type ALU 400. The compressor being two wheeled can be easily towed by jeep or car. It is also light and convenient for on-site handling at industrial units, construction sites, mines and water well drilling sites. Additionally, it is available with a skid frame as a semi-portable unit and for truck mounting.

Lakhanpal National

Lakhanpal National has shown improved results for the year ended June 30, 1977, with a rise in sales from Rs 2.87 crores to Rs 3.91 crores. The company has earned a gross profit of Rs 17.80 lakhs as against a loss of Rs 1.52 lakhs in the previous year. After providing Rs 10.99 lakhs (Rs 12.17 lakhs) for depreciation, and Rs 11,800 for development rabate, there is a surplus of Rs 683 to stand against a net loss of Rs 13.70 lakhs previously. After writing back Rs 16.39 lakhs from development rabate reserve, the accumulated deficit of Rs 85.73 lakhs is reduced to Rs 69.33 lakhs. The production of dry cells during the year was 31.37 million numbers as against 20.49 million numbers in the previous year. The company hopes to produce 40 million cells this year. It also expects to introduce in the market UM-3 percial type dry cells by the beginning of 1978.

Hindustan Antibiotics

The public sector Hindustan Antibiotics Ltd is negotiating with foreign parties for the necessary technical know-how and strains for the manufacture of gentamycin and rifamycin. It is also proposing to set up capacity for the manufacture of neomycin sulphate.

The annual report of the company for 1976-77 shows a significant reduction in the net loss to Rs 67.74 lakh compared to Rs 291.65 lakh In 1975-76. The recovery had been made possible because of a steep increase of 48 per cent in the turnover touching Rs 15.23 crore. The production could be stepped up in bulk streptomycin because of new high yielding penicillin strain and technology introduced during the latter half of the year. The production had also gone up by 47 per cent over the previous year, touching Rs 4.54 crore. The new technology obtained from Japan had helped the company to step up productivity by 100 per cent in the case of pencillin G and 600 per cent in penicillin V. Another significant development during the year was th increase in the production o formulations. Of the tota gross sales turnover of Rs 15.23 crores, formulations alone accounted for Rs 10.1 crores. Due to higher availability of formulations, the company which has been until recently supplying to government and institutional buyers only, made a significant dent in the trade and marketed products of the value of Rs 30 lakh as against Rs 5 lakh during the previous year.

Gujarat State Fertilizers

The caprolactam plant of the Gujarat State Fertilizers Company was forging ahead to gain record output of 16,500 metric tonnes of caprolactam by the close of the current year. This would be the highest annual production so far achieved since the plant was commissioned in August 1974 and would amount to 80 per cent of the plant's annual designed capacity. The caprolactam plant, which was the first of its kind in the country to provide indigenous caprolactam to the country's nylon spinners for manufacture of Nylon-6 yarn, has already exceeded last year's annual production of 15,696 metric tonnes of caprolactam by manufacturing 15,836 metric tonnes as on December 18, 1977.

The caprolactam manufacture process involves production of other important intermediates such as hydroxylamine sulphate, cyclohexanone and ammonium sulphate. The intermediate units have equally done well by outpacing the last year's total output by manufacturing 12,273 metric tonnes of hydroxylamine sulphate, 14,995 metric tonnes of cyclohexanone and 83,764 metric tonnes of ammonium ulphate as on December 18, 977 against previous year's otal production of 11,560 netric tonnes, 14,987 metric onnes and 68,432 metric tonnes espectively. It is almost certain that with the present high ate of production, these units are fully geared to hit up new production records by manufacturing 12,800 metric tonnes of hydroxylamine sulphate, 15,650 metric tonnes of cyclohexanone and 86,770 metric tonnes of ammonium sulphate by the end of the current year.

News and Notes

The net profit of the **Indo-Burma Petroleum Co Ltd** has amounted to Rs 75.23 lakhs for the year ended March 1977, against Rs 1.45 crores in the previous year. A taxable ordinary dividend of 12 per cent has been declared, absorbing Rs 19.20 lakhs (against Rs 24 lakhs). A sum of Rs 1.12 lakhs (against Rs 1.10 lakhs) has been transferred from development rebate reserve no longer required. Taxation is allocated at Rs 36.90 lakhs (against Rs 94.99 lakhs).

After making other adjustments, a sum of Rs 17.45 lakhs (against Rs 23.94 lakhs) has been transferred to general reserve.

The total income of **Ogilvy Benson and Mather Private Ltd** has risen from Rs 72.26 lakhs to Rs 75.68 lakhs—the highest in the history of the company—for the year ended May 1977. The net profit has amounted to Rs 12.09 lakhs after payments to the gratuity and employees' welfare trusts. Bonus has been declared at the maximum rate of 20 per cent. For the third consecutive year, a dividend has been declared at 22 per cent amounting to Rs 2.20 lakhs. In keeping with its policy of innovation, the company acquired further progressive techniques in advertising from its overseas partners.

Punalur Paper Mills Ltd Punalur (Kerala), has suffered a loss of Rs 26.42 lakhs during the year ended March 1977, after providing Rs 82.84 lakhs (Rs 43.90 lakhs) for depreciation. The loss is carried forward to the balance sheet. Sales increased from Rs 767.36 lakhs to Rs 792.44 lakhs, that is from 15,015 to 16,522 tonnes.

The long-term agreement for the supply of raw materials could not be completed. The company could collect from the government only 55,650 tonnes as against the requirements of 2.50 lakhs tonnes.

Expansion projects have been undertaken. A high-level committee has been appointed to investigate into the problem of the supply of raw materials.

The company has approached the Himachal government for allotment of required raw materials for a 50,000 tonnes capacity a year of pulp and paper mills.

Out of the divided at 12 per cent recommended by the directors of **Golden Tobacco Co Ltd**, Bombay, for the year ended June 1977, 38 per cent will be exmpted from income tax, according to the necessary provisional certificate, to that effect, received by the company.

Capital and Bonus Issues

Consent has been granted to eight companies to raise capital. The details are as follows:

Peria Karamalai Tea and Produce Co Ltd proposes to issue 11,58,976 equity shares of Rs 2 each as bonus in the ratio of 1:3. Government consent has been received.

M/s **Spaco Carburettors (India) Ltd, Bombay**: The company has been accorded consent, valid for six months, to capitalise Rs 8,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two bonus shares for every five equity shares held.

The Industrial Credit and Investment Corporation of India Limited, a public company, having a paid-up capital of Rs 18,74,94,550 has been accorded consent for issue of debentures (1998) of the value of Rs 9,00,00,000 (with the right to retain excess subscription up to 10 per cent of the notified amount) carrying interest at a rate of 6.5 per cent per annum and redeemable at par after the expiry of 20 years, for cash to the public at the issue price of Rs 99.50 per cent. The debentures shall be payable to registered holders only. The proceeds will be utilised for augmenting the rupee resources of the corporation. The consent order is valid for 18 months only.

M/s Tungabhadra Mineral Limited, a public limited company, registered in the state of Karnataka and having a paid up equity capital of Rs 30,00,300 has been granted consent, valid for a period of eighteen months for rights issue of equity shares worth Rs 30,00,300 for cash at par. The proceeds of the issue are to be utilised to meet a part of the cost of the high density aggregate plant proposed to be set up in the state of Karnataka.

M/s **The Victoria Mills Limited, Bombay**, has been accorded consent valid for six months to capitalise Rs 29,56,800 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

M/s Elgi Equipments Limited, Coimbatore, has been acc ded consent valid for months, to capitalise 12,50,000 out of its gene reserve and issue fully pa equity shares of Rs 10 each bonus shares in the ratio one bonus share for each equi share held.

M/s Taylor Instrument (India) Limited, Faridaba has been accorded conse valid for six months, to cap talise Rs 30,00,000 out of i general reserve and issue ful paid equity shares of Rs 1 each as bonus shares in th ratio of one bonus share f each equity share held.

M/s Karnataka Agro-Protein Limited, Banagalore, has com municated to government its proposal to issue capita under Clause(5) of the Capita Issues (Exemption) Order, 196 to securities of Rs 60,00,00 (inclusive of the capital alread raised) in 6,00,000 equity share of Rs 10 each for cash at par out of which shares wort Rs 20.40 lakh shall be offere to the public by a prospectu to provide finance required fo the project for the manufacture of protein from cottonseed and groundnuts.

M/s **Konark Jute Limited** has communicated to government of its proposal to issu capital under Clause (5) o the Capital Issues (Exemption Order 1969, to securities of R 2,40,000 (including the capita already raised in equity shares of Rs 100 each for cash a par, out of which shares wort Rs 81 lakhs will be offered t the public by a prospectus t provide part-finance require for putting up a jute mill.

M/s **Tan India Wattle Extracts Company Limite Madras**, has been refuse consent for issue of bonu shares worth Rs 6,00,00 only.

Licences and Letters of Intent

HE FOLLOWING licences and letters of intent were issued under e Industrial (Development and Regulation) Act 1951 during e month of October 1977. The list contains the names and ldresses of the licensees, articles of manufacture, type of ences—New Undertaking (NU), New Articles (NA), Substanal Expansion (SE), Carry on Business (COB), Shifting—and nnual Installed Capacity. Details regarding licences and letters intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s. Anil Steel & Industries Ltd., 27A/Camac Street, alcutta-700016. (Jaipur-Rajasthan)—Medium Carbon Steel/HC lloy Cold Rolled Steel Strips 5,000 tonnes—(NU)

M/s. Devidayal Electronics and Wires Ltd., Gupta Mills tate, Darukhana, Reay Road. Thana-Maharashtra)—(a) Mild eel wires (Electrode welding quality and hard bright) 2,200 nnes. (b) High Carbon and Alloy Steel wires (such as Card lothing, Read, Ball Bearing, Spring and High Tensile spring d High Tensile spring steel, Profile and Prestressed concrete ire) 3,400 tonnes—(COB)

M/s Kumardhubi Engineering Works Ltd., Chartered Bank dg., Calcutta-700001. (Dhanbad-Bihar)—Light structurals cluding channels, Joints, tees, Light Rails and Special profile ctions like Wheel Rims, lock ring, sections etc. 16,750 tonnes; -(COB)

Metallurgical Industries (Non-Ferrous)

M/s Jaipur Metals & Electricals Ltd., Near Railway Station, ipur-302006, (Jaipur-Rajasthan)—Non-ferrous alloys (for ptive and sale purposes), including copper base, aluminium ise, zinc, lead and tin base alloys 1600 tonnes; Copper and opper base and aluminium and aluminium base rolled rods (for ptive and sale purposes) 4000 tonnes in terms of copper and opper base alloys or 2000 tonnes in terms of aluminium and uminum base alloys—(COB)

Electrical Equipment

M/s Philips India Ltd., Shivsagar Estate, Block 'A' Dr Annie esant Road, Worli, Bombay-400018. (Kalwa-Maharashtra)—low Switches 3 Million Nos. 5 Million Nos. (After pansion)—(SE)

M/s Madras Forging & Allied Industries (GBE) Ltd., ettupalaym Road, Post Bag No. 9, Karamadal-641104, Distt. oimbatore (Coimbatore-Tamilnadu)—Electrical Motor Stam- ngs 4,000 tonnes (after expansion)—(SE)

M/s Kerala State Electronics Development Corporation Ltd., eltron House, Vellayambalam, Trivandrum-695001, (Trivan- rum-Kerala)—T.V. Camera 100 Nos.—(NA)

M/s Hind Rectifiers Ltd., Lake Road, Bhandup, Bombay-00078, (Bombay-Maharashtra) Silicon Power Transistors (5 mps. and above) 1,00,000 Nos.—(NA)

M/s Elpro International Ltd., 'Nirmal', Nariman Point, ombay-400021. (Poona-Maharashtra)—Intensifying Screens ,000 Pairs (after expansion). Fluoroscopic Screens 1200 Nos. ter expansion)—(SE)

Transportation

M/s Mahindra Spicer Ltd., Wavell House, 15, J.N. Heredia larg, Ballard Estate, Bombay-400038, (Nasik-Maharashtra)—ropeller shafts 2,00,000 Nos. Universal Joint Kits 9,00,000 os. Axle Shafts 50,000 Nos.—(NU)

M/s Lucas-TVs Ltd., Padi, Madras-50. (Madras-Tamil adu)—Starters 1,95,000 Nos. (after expansion)—Generators ,95,000 Nos. (after expansion) Regulators 3,00,000 Nos after pansion)—Flashers 2,50,000 Nos (after expansion)—Head amps 4,50,000 Nos. (after expansion)—(SE)

M/s Ingersoll Rand (India) Pvt. Ltd., 44, Abdul Gaffar Rd., Post Box No. 16564, Worli, Bombay-18. (Bangalore-Karnataka)—Down the Hole Drills 200, Nos 300 Nos (after expansion)—Blast Hole/Water Well Drills upto 6", 38 Nos, 50 Nos (after expansion), Hand held Light Drills such as Stoppers/Jack Drills/Drifters and Allied Accessories 500 Nos, Carset Bits upto 10" dia, 6000 Nos, Heavy Duty Blast Hole Drills 8" to 12" capacity 24 Nos (NA/SE)

M/s Electronics Ltd., 7th Floor, Atma Ram House, 1, Tolstoy Marg, New Delhi-110001. (Faridabad-Haryana)—Storage Water Heaters/Geysers upto 100 litres capacity and upto 3 KW 4600 Nos—(COB)

Machine Tools

M/s Chamundi Machine Tools Pvt. Ltd., No. 8, Rest House Road, Bangalore-560001, (Mysore-Karnataka)—Centre Lathe 250 Nos—(NU)

Scientific Instruments

M/s Matchwel Electricals (India) Ltd., Off Nagar Road, Poona-400014 (Poona-Maharashtra)—Gas Leakage Detector 5,000 Nos—(NA)

Chemicals (Other than Fertilisers)

M/s Formalin Products Ltd., "Purushottam" Sasthamangalam, Trivandrum-695010 (Alleppy-Kerala)—Formaldehyde 7500 tonnes—(NU)

M/s Res-Chemol Private Ltd., 14 Nurmull Lohia Lane, 2nd Floor, Calcutta-7 (24 Parganas-West Bengal)—Synthetic Resins viz., Urea and Melamine formaldehyde Phenolic Resins Alkyd (all grades) 1350 tonnes (after expansion), Maleic and Fumeric type 150 tonnes (after expansion), Ketone Resins 150 tonnes (after expansion), Epoxy Resins 150 tonnes (after expansion), Bisphenol 300 tonnes (after expansion)—(SE)

M/s Sandoz (India) Ltd., Sandoz House, Dr Annie Besant Road, Worli, Bombay-400018 (Thana-Maharashtra)—Quinalphos Technical 500 tonnes, 700 tonnes (after expansion)—(SE)

M/s Indian Organic Chemicals Ltd., New Excelsior Bldg., 6th Floor, Wallace Street, Bombay-400001 (Kulaba-Maharashtra) Carboxy Methyl Cellulose 2,000 tonnes—(NA)

M/s Chemicals & Resins Private Ltd., 85, Dr Annie Besant Rd., Worli, Bombay-400018 (Kandla-Gujarat)—Formaldehyde (36 per cent solution) 7,200 tonnes, Hexamine-300 tonnes—(NA)

M/s German Remedies Ltd., Shiv Sagar Estate, 'A' Block, Dr Annie Besant Road, Worli, Bombay-400018 (Bombay-Maharashtra)—Acetyl Sulpha Cyanamid Calcium (an intermediate) 30.8 tonnes Injections 10,088 litres (existing) 18,000 litres (after expansion) Capsules 30,00,000 Nos (existing) 120,00,000 Nos (after expansion) Ointments 1,800 Kgs (existing) 6,000 Kgs (after expansion) Suppositories 4,08,000 Nos (existing) 6,00,000 Nos (after expansion)—(NA/SE)

Drugs and Pharmaceuticals

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390003 (Baroda-Gujarat)—Benzathine Penicillin G. Injection 6 lacs, 12 lac and 24 lac units 60 lakh vials Fortified Benzathine Penicillin G. Injection 12 lac and 24 lac units 40 lakh vials—(NA)

Food Processing Industries

M/s Jiwan Milk and Allied Specialities Ltd, Industrial Area, Rajpura (Punjab) (Faridkot-Punjab)—Babyfood 2,500 tonnes Milk Powder 1,000 tonnes Malted Milk Food 500 tonnes—(NU)

Vegetable Oils and Vanaspathi

M/s Raichur Agricultural Produce Marketing and Processing Cooperative Society Ltd, Shop No 66 & 67, Rajendra Gunj, Raichur-584101 (Raichur-Karnataka)—Groundnut Oil 9,000 tonnes (In terms of groundnut seeds)—(NU)

Leather and Leather Goods

M/s Chekind Leathers Private Ltd, 7, Shaffee Mohamed

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BIRLANAGAR (M. P.)

oad, Madras-600006 (Chingleput-Tamil Nadu)—Shoe Uppers ,00,000 Nos—(NU)

M/s Misbahul Haque & Co, 18, Zakaria Street, Calcutta-00001 (Calcutta-West Bengal)—Wet Blue Chrome Tanned Goat kins 5,53,000 Pcs Finished Leather (by conversion from out of wn production of Wet Blue Chrome Tanned Goat Skins ,25,000 Pieces—(COB)

M/s C. Abdul Rahman & Co, 29, V.V. Koil Street, Periamet, ladras-600003 (North Arcot-Tamil Nadu)—Semi-finished leather om skins 10,00,000 pieces, Finished leather from skins (by onversion of own production of semifinished leather from skins) ,41,000 pieces—(COB)

Timber Products

M/s Rassik Private Ltd, B-18, Maharani Bagh, New Delhi-10014 (Delhi)—Furniture Units 4,25,000 units—(NU)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Zenith Steel Pipes & Industries Ltd, 195, Churchgate eclamation, Bombay-400020 (Kulaba-Maharashtra)—Re-rolled roducts like Bars, Rods and other rolled sections in all grades f carbon steels and permissible grades of Low Alloy Steels 6,500 tonnes—(NA)

M/s Hindustan Boilers, 21, Ambalal Doshi Marg, Bombay-00023 (Broach-Gujarat)—Stainless Steel Wire in size range of 0-50 swg 200 tonnes—(NU)

M/s I.D.L. Chemicals Ltd, Kukatpalli, Post Box No 1, anathnagar, (I.E) P.O., Hyderabad-500018 (Hyderabad-Andhra radesh) and (Rourkela-Orissa)—Single or double or multilayer lad metals of similar or dissimilar nature 1,00,000 Sq. meters orresponding to maximum tonnage of 25,000 tonnes of cladding lates—(NA)

M/s Industrial Promotion and Investment Corpn. of Orissa td. (A Government of Orissa Undertaking), 3A, Satyanagar, ost Box No 118, Bhubaneswar (Orissa) (Keonjhar-Orissa)—ponge Iron 3,00,000 tonnes—(NU)

M/s Bengal Arc Steel Ltd, 8 B, Everest, 460, Chowringhee oad, Calcutta-700071 (Purulia-West Bengal)—Rounds, Bars & lats 24,000 tonnes, Small Sections 6,000 tonnes—(NA)

M/s J.K. Steel & Industries Ltd., 7 Council House Street, alcutta-700001 (Rajasthan)—Steel Tyre Cord 3,000 tonnes, eadwires for cycle tyres 2,000 tonnes, Beadwires for auto tyres ,000 tonnes—(NA)

M/s Rathi Alloys & Steel Ltd., 3A, Vandhna, 11, Tolstoy Marg, New Delhi-110001 (Ghaziabad-UP)—Medium/High Carbon/alloy steel wire rods in coils having coil weight of 400 Kgs. and above, Rounds, Squares, Flats and other specially rolled sections (excluding stainless) 36,000 tonnes—(NA)

Matallurgical Industries (Non-Ferrous)

M/s Alcobex Metals Private Ltd., 24, Heavy Indl. Area, Jodhpur (Rajasthan) (Jodhpur-Rajasthan)—Non-ferrous extrusions 500 tonnes (Addl.) 2,000 tonnes (After expn.) Copper and copper base alloy pipes and tubes 1200 tonnes—(NA/SE)

Electrical Equipment

M/s J & K State Industrial Development Corporation Ltd., Haft Chinar, (Srinagar-J&K) (Srinagar-J&K)—HF/VHF Transreceivers 4800 Nos in sets—(SE)

M/s Westinghouse Saxby Farmer Ltd., 17, Convent Road, Entally, Calcutta-700014 (Calcutta-West Bengal) Central Despatcher System and its sub-system 100 Nos—(NA)

M/s Webel Toolsind Ltd.. 225E, Acharya J.C. Bose Road (5th Floor), Calcutta-20 (Calcutta-West-Bengal)—Portable Electric Hand Tools 20,000 Nos (NU)

Telecommunications

M/s Indian Telephone Industries Limited, Dooravaninagar, Bangalore-560016 (Bangalore-Karnataka) — Microwave Radio equipment (RFB-KMS) 2,000 Nos (existing) 9,000 Nos (after expansion), Coaxial line equipment (RKMS) 1,650 Nos (existing) 2.000 Nos (after expansion), Multiplexing equipment: (a) Bays 1,200 Nos (existing) 1,200 Nos (after expansin) (b) Groups 2,200 Nos (existing) 3,000 Nos (after expansion), Interstices carrier cable line equipment: (a) Bays 100 Nos (existing) (b) Groups 250 Nos (after expansion), VFT equipment (channels) 3,000 Nos (existing) 3,000 Nos (afte expansion), Defence equipment: (a) FDM Boxes Rs 250 lakhs (existing) Rs 250 lakhs (after expn) (b) ADM (channels) Nil (existing) 4,000 Nos (after expn), PLCC equipment (terminals) Nil (existing) 50 Nos (after expansion), Telemetery equipment/Supervisory Remote control equipment (systems) Nil (existing) 50 Nos (after expansion), Road Traffic Signalling equipment Nil (existing) Rs 10 lakhs (after expansion), Field Telephones 7,000 Nos (existing) 10,000 Nos (after expansion), Loading coils and unicoils 2,00,000 Nos (existing) 2,00,000 Nos (after expansion), Transformers 1,500 Nos (existing) 1,500 Nos (after expansion), Special purpose Test & Measuring Instruments, for P & T: (a) Level meter Wide Band 50 Nos (existing) 50 Nos (after expansion), (b) Channel Selective Level Meter 700 KHZ 200 Nos (existing) 200 Nos (after expansion), (c) DB Meter 35 KHZ 500 Nos (existing) 500 Nos (after expansion), (d) Level Meter 150 KHZ 134 Nos (existing) 200 Nos (after expansion), (e) Naval Telephone 90 Nos (existing) 200 Nos (after expansion), (f) Special Purpose Misc instruments for P&T Rs 50 lakhs (existing) Rs 50 lakhs (after expansion)—(SE)

Transportation

Mr B. R. Taneja, 32/11, East Patel Nagar, New Delhi (Ahmednagar-Maharashtra) — Commercial Vehicle Rear Axle Casings—12,500 tonnes, Axle Casings for Defence Vehicles including Tanks—1,000 tonnes, Hydraulic Cylinders and pit prop hollows—1,500 tonnes. Total capacity 15,000 tonnes—(NU)

Earthmoving Machinery

M/s Jessop & Co Ltd, PO Box 108, 63, Netaji Subhash Rd, Calcutta-1 (24-Parganas-West Bengal)—Side Dump Loaders for underground operation in mines—50 Nos—(NA)

M/s RMT Drill Pvt Ltd, Pollachi Road, Malumachampatti (PO), Coimbatore-641021 (Coimbatore-Tamil Nadu)—Load-haul Dumps—25 Nos — (NA)

Scientific Instruments

M/s Scielabo Sales Corporation, Harilela House, 36 Mint Road, Bombay-400001 (Nasik-Maharashtra)—Automatic High Precision Balances—1000 Nos—(NU)

Chemicals (Other than Fertilisers)

M/s Bihar Acetylene Co, B/7, Indl Site No. 4, Sahibabad, Ghaziabad (UP) (Palmau-Bihar) — Dissolved Acetylene Gas—0.20 million cu metres—(NU)

Mr K. Ramakrishnam Raju, 359-22/85, Adarshnagar, Hyderabad-500004 (Kurnool-Andhra Pradesh)—Acetylene Black —3,000 tonnes—(NU)

M/s Oriental Techno Services (Pvt) Ltd, 1st Floor Victoria Bldg, Syed Abdulla Brelvi Rd, Bombay-400001 (Kulaba-Maharashtra)—Quinalphos—100 tonnes—(NA)

M/s Goyal Gases (P) Ltd, D-271, Vivek Vihar, Delhi-110032 (Guna-Madhya Pradesh)—Oxygen Gas—1.00 MCM, Dissolved Acetylene—0.20 MCM, Nitrogen Gas—0.50 MCM—(NU)

M/s Andhra Pradesh Industrial Development Corporation Ltd, B-1-174, Fateh Maidan Rd, PB No 13, Hyderabad-500004 (AP) Backward Area-AP) — Malathion Technical—600 tonnes —(NU)

M/s Hindustan Photo Films Manufacturing Co Ltd, Indunagar, Ootacamund-643005 (Ootacamund-Tamil Nadu)—Silver Nitrate (Photographic Grade)—60 tonnes (Addl)—150 tonnes (after expansion)—(SE)

Dyestuffs

M/s Colour-Chem Ltd, Ravindra Annexe, Dinshaw Vachha Road, 194 Churchgate Reclamation, Bombay-400020 (Thana-Maharashtra)—Disperse Dyes from 109 tonnes to 500 tonnes (After expansion)--(SE)

M/s Sudarshan Chemical Industries Ltd, 162, Wellesley Road, Poona-411001 (Kulaba-Maharashtra)—Ortho Phenylene Diamine—500 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Amar-Dye-Chem Ltd, Rang Udyan, Sitladevi Temple Road, Mahim, Bombay-400016 (Bulsar-Gujarat)—Salicylic Acid —600 tonnes, Acetyl Salicylic Acid—300 tonnes—(NA)

M/s IDL Chemicals Ltd Kuhutapalli, Post Bag No 1, Sanathnagar (IE) PO, Hyderabad (AP), Karnataka) — Motoclopramid —3 tonnes—(NA)

M/s Alembic Chemical Works Co Ltd, Alembic Road, Baroda-390003 (Baroda-Gujarat)—Cephalexin Caps—100 lacs capsules, Tricobal-H Capsules—300 lacs capsules, Kinphos Inj (Chloroquin Inj)—15400 litres (in vials & Inj), Chlorpropamide —30 tonnes, Procaine Hydrochloride—30 tonnes, Analgin Injections (30 ml vial, 2 ml ampoul/5 ml ampoul) — 15,500 litres—(NA)

Food Processing Industries

M/s The West Bengal Livestock Processing Development Corpn Pvt Ltd, (A Govt of West Bengal Undertaking), 6A, Raja Subodh Mullick Square, 8th Floor, Calcutta (Howrah-West Bengal)—Processing of animals, Cattle 1,86,000 Nos, Sheep and goats 19,37,500 Nos, Pig 62,000 Nos—(NU)

Rubber Goods

M/s Kerala State Industrial Development Corporation Ltd, 'Purushotam', Sasthamangalam, Trivandrum-695010 (Kerala)—Textile Cord re-inforced rubber conveyor belting—3,400 tonnes, Steel Cord rubber conveyor belting—1,000 tonnes, Transmission belting—600 tonnes, Fan and V-belts—400 tonnes, PVC conveyor belting—600 tonnes—(NU)

Leather & Leather Goods

Mr S.K. Ajmani, A-223, New Rajinder Nagar, New Delhi-110060 (Mohindergarh-Haryana)—Leather auxiliaries and leather finishes—1510 tonnes—(NU)

Ceramics

M/s Kerala State Industrial Development Corporation Ltd, 'Purushotam' Sasthamangalam, Trivandrum (Quilon-Kerala)—High Alumina Products containing more than 60% Alumina including slide gate plates—62% A 1203 bricks, Stopper head etc—5,000 tonnes, Powder masses including castables, monolithics, ramming mass, gunning mass, zircon powder, alumina cement—3000 tonnes, Foam light weight insulating material including bricks aggregate—1000 tonnes, Special refractories including zircon products such as plates, nozzle, bricks, silicon carbide tubes and tiles such as recuperator tubes, kiln furniture, nozzles, fused silica product such as submerged nozzles—1000 tonnes, ZAS products including corrundum blocks, zircon alumina silicon bricks, electrofused corrundum powder—2,000 tonnes—(NU)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Bharat Refineries Ltd—to—M/s Bharat Petroleum Corporation Ltd

M/s UP State Textiles Corpn Ltd, Kanpur—to—M/s Nagina Sahakari Katai Mills Ltd, Nagina, Distt Bijnor

M/s UP State Handloom & Powerloom Finance and Development Corporation Ltd, Kanpur—to—M/s Kabir Sahakari Katai Mills Ltd, Maghar, Dist Basti, UP

M/s Aminchand Payarelal, Jullundur City—to—M/s Apeejay Steel Pvt Ltd

M/s Bharat Flour & Oil Mills—to—M/s Himalayan R Flour Mill Pvt Ltd.

M/s Vishal Malleables Pvt Ltd—to—M/s Vishal Mellea Ltd

Licences Revoked or Cancelled

(Information pertains to particular licences only)

M/s Saraswati Ispat (Bhopal) Ltd, Bhopal—MS Ingot (Revoked)

M/s Powerpac Industries Pvt Ltd, New Delhi—Stor Batteries (Automotive)—(Revoked)

The Andhra Cement Company Ltd, Madras-6—Pozzol Cement—(Revoked)

Mr Guru Dutt, 4/13, West Patel Nagar, New Delhi-8, Coa and Calendered Paper— (Revoked)

M/s Bottle Glass Ltd, New Delhi-55 — Glass Bottel (Revoked)

M/s Bhavanidas Gangadas & Co, Bombay-3 — DE spanners etc—(Revoked)

Letters of Intent Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Madhya Pradesh Electricals Ltd, Bhopal (Madh Pradesh)—Copper and Brass Tubes—(Lapsed)

M/s Bengal Chemical & Pharmaceutical Works Ltd, Calcu (West Bengal)—Synthetic Detergents—(Lapsed)

M/s National Air Products Ltd, New Delhi-1 (Haryana) Oxygen Gas—(Lapsed)

Mr I.K. Kejriwal, Calcutta-27 (Bihar)—Asbestos Ceme Compressed Sheets—(Cancelled)

M/s India Midget Electrodes Ltd, Gauhati-781021 (Assam) Midget Electrodes—(Lapsed)

Mr Abhay S. Bharaktiya, Indore-450003 (UP)—Fenitrothio Ethion etc—(Lapsed)

Mr K.A. Choudhary, Distt Guntur (AP) (Andhra Prades —Malathion Technical Pesticide—(Lapsed)

Mr Anil Kumar, Varanasi (UP) (Uttar Pradesh)—Sulphu Acid—(Lapsed)

Mr Hari Krishan Gupta, New Delhi-110026 (Haryana) Sulphuric Acid—(Lapsed)

Mr Vinod D. Vadera, C/o M/s D.M. Industries, Bangalo 560006 (Gujarat)—Paper—(Lapsed)

M/s Deccan Sales Corporation, Bombay-400050 (Mah rashtra)—Caustic Soda—(Lapsed)

M/s Gujarat Agro Chem Industries, Bombay-4000 (Gujarat)—BHC Technical and Lindane Technical—(Lapsed)

M/s Cements & Chemicals India Ltd, Madras-600 (Maharashtra)—Portland Cement—(Lapsed)

M/s Jagatjit Industries Ltd, New Delhi-110024 (Andh Pradesh)—Milk Products—(Cancelled)

M/s Nuchem Plastics Ltd, Faridabad (Haryana) (Tamil Nad —Poly Acetyl Resins—(Lapsed)

M/s Kanoria Chemicals Ltd, Calcutta-700001 (Maharasht —TDI—(Cancelled)

Mr R.N. Bose, New Delhi-3 (Maharashtra)—Dash Boa Instruments—(Lapsed)

Dr C. Venugopal, Madras-1 (Kerala)—Calcium Carbide (Lapsed)

M/s Meghalaya Industrial Dev Corpn Ltd, Shillong (Meghalaya)—Calcium Carbide—(Lapsed)

M/s Bihar State Indl Dev Corpn Ltd, Patna-800001 (Biha —Glass Bottles—(Lapsed)

M/s Haryana Chemical & Allied Industries, New De (Haryana)—Sulphuric Acid—(Cancelled)

M/s Vasant Industrial Engineering Works, Bombay- (Maharashtra)—Yarn Mercerising Machines and Yarn Neutral ing Machines—(Lapsed)

The Delhi Cloth & General Mills Co., Ltd.

Speech delivered by Dr. Bharat Ram, Chairman, Board of Directors, at the 89th Annual General Meeting of the Company, held on the 28th December, 1977, at Delhi.

Ladies and Gentlemen,

I have great pleasure in welcoming you to the 89th Annual General Meeting of your Company and wishing you all a very happy new year.

The directors' report and the audited accounts for the year ended 30th June, 1977 have already been circulated. The directors have recommended an increased dividend of 0% on equity shares. The shareholders will also get the benefit of tax exempted dividend to the extent of 44% under Section 80K of the Income-tax Act, 1961.

Dr Bharat Ram

I am sure the shareholders will be happy at the results which are considerably better than the last year. The results would have been even better but for the depressed conditions of the textile units. In spite of various appeals to the government, it has not taken measures to improve the health of the textile industry. One hopes that the government will realise the importance of the textile industry in the total economy of the country and take steps to improve the viability of this important industry. In this respect, there is a ray of hope in the Industrial Policy Statement made by the Minister of Industries, where he has mentioned that he would like to see that where there are price controls, the prices are reasonably remunerative. As you all know, the control of cloth prices has caused a great harm to the textile industry. Every effort is being made to improve the profitability of textile units.

In other industries, we have done reasonably well. The new Foundry has started commercial production. The product has been well received and I hope in times to come, this industry will contribute its share to the growth of your Company.

We have had a change of government in this year and one hopes that this government's policies will lead to more employment, better demand, better distribution of opportunities, leading to a faster growth and prosperity. It is not that everything was wrong with the policies followed upto now, but with the changing times, requirements of a large population living in an extremely poor condition, changes must inevitably be made.

The Industries Minister has recently announced the Government's new Industrial Policy. No one can argue with the objectives of the Policy. A large industry, a medium size industry, a small scale industry and a cottage industry all have a role to play. All these various sectors are somewhat interdependent. One, therefore, has to be very careful that no sector fails otherwise shortages would continue. One must also make sure that quality does not suffer particularly where either a medium scale or a small scale industry works as an ancilliary to other industries or where there is danger to health because of inadequate quality control. The other important aspect which will need the government's attention is that if the small scale and cottage industries have to succeed proper marketing has to be organised. The poor rate of growth in the past has been, in my opinion, not so much because of wrong policies in planning but very largely the failure has been in implementation and if the present policy fails, I am afraid, it would again be because of failure in implementation. It requires detailed administrative planning and proper organisation for its success.

In the past many of the rules and regulations and controls have been because of shortages in foreign exchange. Today when there is no shortage in foreign exchange, one was hoping that there would be lesser regulations and controls. This is not indicated in the new Policy.

The stagnation in the economy in the past two years has been very large because upto now there has been an effort at containing demand. In my opinion, the demand needs to be stimulated in order that there is more production and more employment. It is disturbing to note that the government is thinking in terms of not financing large industries through financial institutions. This would be an extremely retrograde step. As it is there has been very little saving and investment in the past few years. The financing of large scale sector does not have to be at the cost of other sectors, but at the same time it would certainly hurt the economy if the large scale sector is not able to expand because of shortage of resources. Investment will only come if the condition of the industry is healthy, but today barring a few industries, the rest of the industries are not doing well. I would, therefore, suggest that wherever possible excise duties must be reduced so that goods can be available to the consumers cheaper and the industry is able to increase its production. Also, I believe, company taxation has to be reduced considerably. While some people may not agree, I am of the opinion that taxation is inflationary because in order to give a certain return to the shareholders, the company has to make an appropriate profit after taxation. Higher taxation means higher prices. This is certainly the experience of many countries. In this process, in the short run it is possible that there would be certain amount of deficit financing but in the long run the government would not lose revenues because of increased economic activities as well as containment of price level leading to stabilisation of dearness allowance etc. Economic compulsion will not make any concession to ideological postures and if we fail in adopting practical policies, we will continue to have slow progress.

However, apart from the growth of industry, our total economy is still and will in the foreseeable future depend on growth of agriculture. Most of the industries themselves, by and large, are dependent on the health of agriculture. I know that the government is also laying great stress on the development of agriculture. In this field apart from the adequate supply and production of fertilisers, pesticides, tractors, implements and good seeds, the most important input would be water and power and this must receive top priority. Agricultural growth also leads to the development of small and cottage industries. If we were to look at Punjab and compare it with Bihar, we would find that while in spite of the fact that Bihar has a large number of large industries because of lack of agricultural development, small and medium size industries have not developed there. In Punjab, where there is immense agricultural development, it has become a home of small scale and cottage industries.

It is unfortunate that there are ominous signs of industrial unrest in the country which could nullify all the efforts of the government and industry. I hope that the government will soon be able to tackle this problem to the satisfactio all concerned.

To sum up, I would say the present government m strengthen its administra and organisational machin if it has to succeed in im menting its objectives and p cies with which there can ha be a difference of opinion. the gigantic task which ahead, we must start w confidence.

In the end, I would like thank all our workers and s for the contribution they h made to the successful ope tion of the company during year.

Note :—*This does not purp to be record of proceedings of Annual General Me ing.*

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Consolidated Coffee Limited

Speech of Mr M. A. Sreenivasan, Chairman, at the 34th Annual General Meeting of the Company, held on Friday, 16th December, 1977, at Pollibetta.

Gentlemen,

It was a memorable year in ndia's history. It witnessed he nation's victory in its econd struggle for freedom, victory won, not by battles but by ballots, climaxed by the dramatic and decisive ballots of Rae Bareilly and Amethi. It saw the dawn, after a dark and seemingly interminable night of tyranny and terror, of corruption and extortion, a long night in which people ived in constant dread of being rudely awakened and dragged off to jail in the name of MISA. To us, lovers of coffee it was particularly hurtful to find another new fangled weapon added to the armour of despotism and called Cofeposa.

The nation owes a deep debt of gratitude to the brave leaders, many of whom were locked up in prison cells regardless of their age, infirmity or their national stature, for the sacrifices they made, the heroic part they played in ending despotism and restoring democracy and the rule of law.

Happily, we now have among the leaders at the nation's helm, seasoned veterans with decades of experience in government, known for their high ideals and integrity. In their statements and assurances they have shown not only their zeal for justice and fairplay but also their readiness to think afresh, to be willing to reform and innovate and to welcome suggestions and criticisms. This is indeed an encouraging sign.

In his speech at the recent conference of the United Planter's Association of South India, Mr Ashok Mehta referred to the lack of meaningful dialogue between the Government and the people. Very often, he said, it had been a "a dialogue with the deaf". Our own experience over the years has been what I described some years ago as sermons on one side and soliloquies on the other. As there is now reason to hope that our representations may not continue to fall on deaf ears, I propose, if you will forgive repetition of what I have been saying all these years, to recapitulate a few important matters that call for a fresh attitude and understanding.

Coffee Planters have many a conference every year. The biggest and most prestigious of them is the annual conference of the United Planters' Association of South India known as UPASI, which is accorded the honour of being presided over, usually by Cabinet Ministers of the Central Government. Our present Prime Minister Shri Morarji Desai thus honoured the Conference in 1970. The State Planters' Associations are likewise presided over by Governors, Chief Ministers or other Senior Ministers of the State.

There has not been a single Conference in which the representative of the Government, Central and State did not warmly applaud the plantation industry for its outstanding and exemplary agricultural performance, for providing remunerative employment and amenities to agricultural labour and for the substantial contribution it makes to the Nation's foreign exchange resources, and assure the industry of Government's generous help and support.

It is now fourteen years since Sri Nijalingappa the then Chief Minister of Karnataka gave encouraging assurance in February 1963 that the State would bring about a reduction of the extraordinary and iniquitous taxation of the agricultural income of coffee planting Companies at 60 per cent. In July 1964 Sri Jatti, then Finance Minister of the State, made a categorical statement on the floor of the State legislature that steps would definitely be taken to remedy this iniquity. In 1967 Sri Nijalingappa reaffirmed that he was convinced of the case for relief. His successor Sri Veerendra Patil was good enough to give similar assurances in 1968 and in 1969. In 1971 Sri Dharma Vira then Governor of Mysore gave assurances of incentives and relief. This was repeated by Chief Minister Sri Devaraj Urs in 1973. After all these recognitions of the need for relief and incentives and all the repeated assurances by the topmost authorities of the State it was a cruel mockery to find that in 1977 the tax, far from being reduced was raised from 60 per cent to 65 per cent.

By contrast, the maximum rate of agricultural income tax in neighbouring Tamil Nadu is 55 per cent. Central Income-tax is a maximum of 57¾ per cent. But it is subject to certain well considered deductions and allowances that help to reduce the incidence. And one should not forget the basic difference between agricultural and nonagricultural enterprises. Plants are living beings, not machines. They wilt if they are whipped; and they cannot be worked double shift.

Here I would like also to repeat the plea I made last year that plantation Companies like ours engaged in agriculture whose shares are not owned or dominated by a family or group, but are widely held by a large number of small shareholders, have a claim for special consideration in the light of the Government's declared objective of helping and protecting the interests of the small investor, and the small holder. As I then pointed out, seventy five per cent of our shareholders own less than 500 shares, which represent ownership or participation in less than a hectare of coffee, and an investment at current market prices of less than Rs 15,000. I pointed out also how on that one hectare of coffee the shareholder is subjected to tax at 65 per cent which is eight times the rate of tax on an owner of ten hectares.

It is true that taxation of agriculture is within the power of the States. All that the industry hoped and expected is that the power be used less harshly, considering that the onerousness of the burden has repeatedly been recognised and relief vouchsafed.

None will dispute the need for decentralisation in the governance of our vast subcontinent. At the same time, there is obviously a need for a measure of moderation and uniformity, and a curb on runaway taxation of the plantations industry whose performance in agriculture has not only achieved high international ranking but also earned foreign exchange for the Central exchequer. After fifteen years of waiting in vain for promised relief, the industry may perhaps be forgiven if it looks to the Centre to persuade the States to scale down the tax to not more than 50 per cent by friendly advice and fiscal inducements.

It is now the policy of the Government of India to give the highest priority to agriculture and to rural development and employment.

Shri Charan Singh, Home

Minister in the Union Cabinet has pointed out that agriculture has not received adequate attention in the past decades and that the production of pluses, cotton, oil seeds etc., has been poor. In his recently published blueprint he has stated "if land is the limiting factor the aim should be to make the largest profit per acre. If labour limits the business, the aim should be the largest possible profit per unit of labour. If the limiting factor is capital, the aim should be the greatest profit per unit of fixed capital investment".

Addressing the Coffee Board in Bangalore last month Shri Mohan Dharia, Commerce Minister in the Union Cabinet, asked members "to find innovating ways of reflecting new policies of the Government and operate as an effective instrument of socio-economic transformation".

These statements are as refreshing as they are realistic and constructive. They lend powerful support to the representations we have made and policies we have followed and are eager to pursue in the future.

Year after year, we in the plantation industry have been praised by Hon'ble Ministers for our performance and exhorted to give leadership and expertise to other fields of agriculture. Year after year we have expressed our readiness to be of service.

In his recent speech as President of UPASI Mr. K.B. Somana, our Managing Director, observed that in our country we have one of lowest yields of agriculture. "Out of 97 countries growing groundnut", he said, "India ranks 57th in yield". In sugarcane, India ranks 42nd out of 91 countries. Our rank is 71st among 110 countries producing tobacco. In wheat, India ranks 50th out of 101 countries, and, in rice, 66th out of 90 countries". He went on to point out that India is the leading tea producer, in the world with the highest yield per hectare, fourth in international ranking in the production of coffee, and fifth in rubber. "Plantations", he pointed out, "have acted as the catalysts in rural growth in the areas where they are established. They could be the leaders of a rural resurgence".

In my addresses to you in previous years I have repeatedly pleaded that agriculture, India's largest industry, in which 70% of our people are employed should be recognised and treated as an industry, that agriculture should not be starved of capital, that the river of investment should be allowed to flow freely over land, and not blocked or allowed to dry up. I have often asked why our country should rank below 60th in the world in the production of rice and below 40th in the production of cotton, while under the same sky, and vagaries of the monsoons, on the same good earth, with the same workers, it ranks first in the world in tea, and fourth in coffee; and submitted that the answer is that the cultivation of tea and coffee and such plantation crops is regarded and treated as an industry, free to attract investment and enterprise, and to be run as a great industry should be run. I have dreamt of cotton plantations and rice estates. I have pleaded that the magic wand, by waving which coffee and tea and rubber and cardamom have come under the definition of plantation crops should be waved to include at least cocoa and cotton, to begin with.

Kerala has already seen the wisdom of including cocoa under that definition. Our company pioneered the cultivation of cocoa in Karnataka. I am confident that if Karnataka follows suit, the country can soon be self-sufficient in this product, which is now being imported.

Karnataka is admirably suited for the cultivation of cotton. I believe that if cotton is made a plantation crop, Karnataka cannot only meet all its textile requirements but can also have a surplus for the neighbouring States.

Thus can plantation companies like ours be enabled, with their skills and resources, to respond to the desire of the Government and expand agricultural production and employment.

It would be wrong to seek or expect land that is already under occupation and cultivation. What should be sought and developed is land that is unused, unwanted, because it is remote or inaccessible, or has no irrigation facilities or other reason. With the skills and resources I have referred to, large acreages of such land can be made productive by investment of capital, by exploring and tapping surface as well as underground water resources, and provide remunerative employment and amenities to the rural population.

Turning to the accounts, we have had another good year, thanks again, to high export prices.

The income of over 6½ crores sets a new record for the Company, breaking the record made in the previous year. Your Directors are only too keenly aware that these records have been made despite the fact that the crops have shown no increase and have tended to be stagnant. We realise that these abnormally high prices cannot last, and that meanwhile, costs keep steadily going up. The vulnerability of the position is revealed by the fact that if, Heaven forbid, we had received the same payment per point for the crop of the year under review that we were paid less than five years ago, (as in 1971/72, namely Rs. 3.53) some of our estates would have been in the red, and our income from coffee would have been disappointing.

I have often spoken of climates; of how the unfavoura climate in the antipodes brought us good fortune. is the bright day" wrote great poet "that brings fo the adder and craves wa walking". There are two a ders we should be wary of. C is complacency, another extravagance. The manageme is constantly alive to the dangers.

There is good reason to exp that crops will no longer stagnant and will show sub tantial improvement in t coming year and thereafter a result of intensive and exte sive replanting undertaken the Company over the last t years or more.

It is a welcome indication the fairminded responsivene of the new Government Delhi that the export duty used as a means of sharing windfall and not as a reven demand and the duty w promptly reduced fro Rs. 22,000 to Rs. 7,000 p tonne. We are grateful to t Government of India for this

We have had another ye of harmonious staff and labo relations. I feel sure you w join me and the Board thanking Mr. K.B. Soman Managing Director, and h Officers for the good wo done during the year.

I am grateful to my colle gues on the Board for the valued advice and guidance.

This does not purport to a record of the proceedings the Annual General Meeting.

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RECORDS AND STATISTICS

New industrial policy

The main thrust of the new industrial policy announced by the government on December 23, will be in the direction of an effective promotion of cottage and small scale industries, widely dispersed in small towns and in rural areas. The government will ensure that whatever can be produced by labour intensive small sector be produced so. Further development of large scale sector has thus been relegated to a subordinate place.

HE FOLLOWING is the text of the atement on industrial policy id before the parliament.

For the past 20 years, governent policy in the sphere of ndustry has been governed y the Industrial Policy Resoution of 1956. While some of he elements of that Resolution n regard to the desirable patern of industrial development till remain valid, the results f actual policies in the indusrial field have not been up to he expectations or declared bjectives. The growth of per apita national income during he last 10 years has been about 1.5 per cent per annum and is clearly inadequate to meet the needs of a developing economy. Unemployment has increased, rural-urban disparities have widened and the rate of real investment has stagnated.

Slow Growth

The growth of industrial output in the last decade has been no more than three to four per cent per annum on an average. The incidence of industrial sickness has become widespread and some of the major industries are the worst affected. The pattern of industrial costs and prices has tended to be distorted; and dispersal of industrial activity away from the larger urban concentrations has been very slow.

The new Industrial Policy must therefore be directed towards removing the distortions of the past so that the genuine aspirations of the people can be met within a timebound programme of economic development.

Close Interaction

The close interaction between the agricultural and industrial sectors of our economy cannot be overemphasised. Much of our industrial production is based on agricultural raw materials. Similarly in order to increase our agricultural productivity by adaptation of modern technology and agronomic practices to our own conditions, important inputs have to come from our industrial sector. Highest priority must be accorded to generation and transmission of power. Our recent experience demonstrates that lack of adequate power availability has become one of the most important constraints in the development of agriculture and industry. Similarly, cement and steel required to build our irrigation projects, the implements for ploughing and preparing the land, the equipment for processing high quality seeds, fertilisers and pesticides, oil and power, a wide range of industrial products are essential for increasing the level of our agricultural production. The prosperity and the distribution of income arising from a broad-based growth of agriculture and related activities in the countryside has to provide the basic demand for a wide range of industries producing articles of consumption. It is only by such a process of reinforcing interaction of the agricultural and industrial sectors that employment can be found for the lagre numbers of the rural population who cannot be absorbed in the agricultural sector.

Today, our assets in terms of foodgrain and foreign exchange reserves are considerable. But much more importantly, our most valued asset is the willing hands of our rural manpower and the reservoir of highly trained scientists, engineers and technicians who today form the third largest group of skilled manpower in the world.

Great Challenges

Great opportunities and great challenges are open to us now; but they cannot be seized by timid and halfhearted policies. A new approach is called for in several areas of our national life. This new approach should reflect not only our vast resources and special endowments but should show particular concern for the utilisation of these resources and endowments for the amelioration of the living conditions of the majority of our people. The new industrial policy should and will hereafter place man at the centre of planning and implementation of projects and schemes.

The emphasis of industrial policy so far has been mainly on large industries neglecting cottage industries completely and relegating small industries to a minor role. It is the firm policy of this government to change this approach.

Main Thrust

The main thrust of the new Industrial Policy will be on effective promotion of cottage and small industries widely dispersed in rural areas and small towns. It is the policy of the government that whatever can be produced by small and cottage industries must only be so produced. For this purpose, an exhaustive analysis of industrial products has been made to identify those items which are capable of being established or expanded in the small scale sector. The list of industries which would be exclusively reserved for the small scale sector has been significantly expanded and will now include more than 500 items as compared to about 180 items earlier. This list is laid on the table of the House. However, it must also be ensured that production in this sector is economic and of acceptable quality. The list of industries reserved for the small scale sector has to be continually reviewed so that capacity creation does not lag beind the requirements of the economy. An annual review of reserved industries will be undertaken in order to ensure that reservation accorded to the small scale sector is efficient, and it remains so as new products and new processes capable of being manufactured in the small scale are identified.

Tiny Sector

While the existing definition of small scale industries will remain, within the small scale sector, special attention will be given to units in the tiny sector namely, those with investment in machinery and equipment up to Rs one lakh and situated in towns with a population of less than 50,000 according to 1971 census figures and villages. Schemes will be drawn up for making available margin money assistance specially to tiny units in the small scale sector as well as to cottage and household industries.

Legislation for cottage industries : While there has been reservation for the small scale sector, there has been no special protection for cottage and household industries sector. Government will consider introducing special legislation for protecting the interests of cottage and household industries sector with a view to ensuring that these activities which provide self-employment in lagre numbers get due recognition in our industrial development.

Promotional measures: In the past, there has been a tendency to proliferate schemes, agencies and organisations which have tended more to confuse the average small and rural entrepreneur than to encourage and help him. The focal point of development for small scale and cottage industries will be taken away from the big cities and state capitals to the district headquarters. In each district, there will be one agency to deal with all requirements of small and village industries. This will be called the District Industries Centre. Under the single roof of the District Industries Centre, all the services and support inquired by small and village entrepreneurs will be provided. These will include economic investigation of the district's raw material and other resources, supply of machinery and equipment, provision of raw materials, arrangements for credit facilities, an effective set up for marketing and a cell for quality control, research and extension.

District Centres

The Centre will have a separate wing for looking after the special needs of cottage and household industries as distinct from small industries. The Centre will establish close linkages with the development blocks on the one hand and with specialised institutions like Small Industries Service Institutes on the other. It is the intention of the government to extend this important organisational pattern to all the districts in the course of the next four years. Suitable financial and organisational support will be provided to the state governments to achieve this objective. The financial assistance given to small and cottage industries under the Rural Industries Programme will also be extended to all the districts in the country within the next four years.

In order to provide effective financial support for promotion of small village and cottage industries, the Industrial Development Bank of India has taken steps to set up a separate wing to deal exclusively with the credit requirements of this sector. It will coordinate, guide and monitor the entire range of credit facilities offered by other institutions for the small and cottage sector, for whom separate wings will be set up in these institutions, particularly nationalised banks. Banks will also be expected to earmark a specified proportion of their total advances for promotion of small, village and cottage industries. It is the policy of government to see that no worthwhile scheme of small or village industry is given up for want of credit.

The growth of the small scale and cottage industries sectors has been tardy mainly for want of satisfactory marketing arrangements for their products. The marketing of goods of these sectors with its concomitant of product standardisation, quality control, marketing surveys will therefore need special attention. The government will provide the maximum support for these activities on a priority basis. Measures such as purchase preference and reservation for exclusive purchase by government departments and public sector undertakings will also be used to support the marketing of these products.

Revamping the Role

Khadi and Village Industries Commission : At present, 22 village industries are within the purview of the Khadi and Village Industries Commission. The promotional work in this area has, however, been haphazard and progress has been slow. The Khadi and Village Industries Commission will work out detailed plans for development of these village industries by adopting modern management techniques. Especially for the production of footwear and soaps, special programmes would be drawn up to increase progressively their share in the total production of these items in the country. The list of items curr
under the purview of the
mission will be conside
expanded, and the state
national level organisat
structure of the Commi
will be revamped so th
can more effectively fulfi
role assigned to it.

New Khadi

In the programme for
lopment of village indus
the promotion of khadi h
special place. A breakthr
in the field of khadi is in
with prospects of spinning
weaving polyester fibre a
with cotton fibre. The p
minary work done so far h
out the hope of developi
large market of polyester k
and improving the producti
and earnings of khadi spin
and weavers. The Khadi
Village Industries Act is b
amended to permit the im
mentation of a large scale
gramme in "Nai Khadi".
government is committed
providing maximum finan
and marketing support tha
needed for promotion of
khadi programme.

Along with khadi, the cl
ing needs of the masses
be progressively met thro
development of the handl
sector, which provides empl
ment to the bulk of pe
engaged in the production
textiles. Government will
permit any expansion in
weaving capacity in the o
nised mill and powerloom
tor. In order to provide a
quate supply of yarn for
handloom sector, the gove
ment will ensure that the ha
loom sector has priority in
allocation of yarn spun in
organised sector. In case th
is any shortage, governm
will ensure that steps are ta
to increase spinning capac
Further, in order to provid
ready market for handlo

oducts, it will be ensured that e organised mill sector does ot provide unfair competition the handloom sector. Cer- in items of textiles are al- ady reserved for production the handloom sector. How- ver, such reservation has not een very effective, the govern- ent will enforce the existing servation and further extend to other items.

Appropriate Technology : The evelopment and application f technology appropriate our socio-economic condi- ons has so far not received lequate attention. It will enceforth be an integral part f policy and government will nsure that this important area ts adequate attention. Spe- al arrangements will be made ensure an effective and co- rdinated approach for the evelopment and widespread pplication of suitable small nd simple machines and devic- for improving the produc- vity and earning capacity of orkers in small and village dustries. It will further be overnment's endeavour to lly integrate such apropriate chniques of production with e broader programme of all- ound rural development.

arge-scale Units

In addition to small and vil- ge industries, there is also a ear role for large scale indus- y in India. However, the overnment will not favour rge scale industry merely for emonstration of sophisticated ills or as monuments of relevant foreign technology. he role of large scale indus- y will be related to the pro- amme for meeting the basic inimum needs of the popula- on through wider dispersal of nall scale and village indus- ies and strengthening of the gricultural sector. In general, eas for large scale industry will be : (a) basic industries which are essential for providing infrastructure as well as for development of small and village industries, such as steel, non-ferrous metals, cement, and oil refineries; (b) capital goods industries for meeting the machinery requirement of basic industries as well as small scale industries; (c) high technology industries which require large scale production, and which are related to agricultural and small scale industrial development such as fertilisers, pesticides, and petrochemicals etc; and (d) other industries, which are outside the list of reserved items for the small scale sector, and which are considered essential for the development of the economy such as machine tools, organic and inorganic chemicals.

Restraining Growth

Large houses : Past experience shows that government policies have not succeeded in restraining the disproportionate growth of large houses. While a certain measure of growth of existing enterprises is inevitable and also necessary for continued health of these enterprises, the growth of large houses has been disproportionate to the size of their internally generated resources and has been largely based on borrowed funds from public financial institutions and banks. This process must be reversed.

In future expansion of large houses will be guided by the following principles:

(a) The expansion of existing undertakings and establishments of new undertakings will continue to be subject to the provisions of the Monopolies and Restrictive Trade Practices Act. The provisions of this Act including those relating to dominant undertakings would be effectively implemented;

(b) Except in the case of industries eligible for automatic growth of capacity, the expansion of existing undertakings into new lines and establishment of new undertakings by large houses will require specific approval of government.

Resource Generation

(c) Large houses will have to rely on their own internally generated resources for financing new or expansion projects. While an appropriate, debt-equity ratio will be permitted in the case of industries like fertilisers, paper, cement, shipping, petrochemicals, etc. which are relatively more capital intensive in nature, the debt-equity ratio in the case of other less capital-intensive or less sophisticated industries will be so fixed as to reflect the greater use of their own internally generated resources by the large houses.

In its licencing policy, government will regulate the activities of the large houses to bring them in line with the country's socio-economic goals. Where large scale units, whether belonging to large houses or not, are already engaged in the manufacture of items since reserved for the small scale sector, there will be no expansion in their capacity. On the other hand, the share of these units in the total capacity for these items will be steadily reduced and that of small scale and cottage sector increase. In licensing other activities of large scale industry, particularly of units belonging to large houses, government would pay due regard to the existing share of these units in the total domestic production of these items. It will be the policy of government to ensure that no unit or business group acquires a dominant or monopolistic position in the market. The present industrial activities of the large houses will be scrutinised so that unfair practices arising out of manufacturing inter-linkages are avoided.

In order to ensure social accountability, the financial institutions whose support is vital for setting up and running of large scale enterprises will be expected to assume a more active role in overseeing the activities of undertakings financed by them in order to ensure that management is increasingly professionalised and conforms to national priorities.

Public Sector

The public sector in India has today come of age. Apart from socialising the means of production in strategic areas, public sector provides a countervailing power to the growth of large houses and large enterprises in the private sector. There will be an expanding role for the public sector in several fields. Not only will it be the producer of important and strategic goods of basic nature, but it will also be used effectively as a stabilising force for maintaining essential supplies for the consumer. The public sector will be charged with the responsibility of encouraging the development of a wide range of ancillary industries, and contribute to the growth of decentralised production by making available its expertise in technology and management to small scale and cottage industry sectors. It will also be the endeavour of government to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries pays an adequate return to society. The government attaches high priority to the building up of a professional cadre of managers in the public sector, who would be given the necessary autonomy and entrusted with the task of providing dynamic and efficient management to such enterprises.

Indigenous and foreign technology : The country has a well-developed infrastructure of scientific establishments. Future development of industries in India must be based on indigenous technology as far as possible. Full scope will be given to the development of indigenous technology. It is also essential that development of indigenous technology is responsive to the objective of efficient production by increasing quantities of goods that society urgently needs. Science and technology must contribute to the improvement in the living standards and the quality of life of the large mass of our people.

Outright Purchase

In order to promote technological self-reliance, the government recognises the necessity for continued inflow of technology in sophisticated and high priority areas where Indian skills and technology are not adequately developed. In such areas, the government's preference would be for outright purchase of the best available technology and then adapting such technology to the country's needs. Indian firms which are permitted to import foreign technology would be required in appropriate cases to set up adequate research and development facilities so that imported technology is properly adapted and assimilated. The government will also set up a national registry of foreign collaboration in the Secretariat of the Foreign Investment Board so that there is continuous monitoring of these efforts.

Foreign Investment

The government would also like to clarify its policy regarding participation of foreign investment and foreign companies in India's industrial development. So far as existing foreign companies are concerned, the provisions of the Foreign Exchange Regulation Act would be strictly enforced. After the process of dilution under this Act has been completed, companies with direct non-resident investment not exceeding 40 per cent will be treated on par with Indian companies, except in cases specifically notified, and their future expansion will be guided by the same principles as those applicable to Indian companies.

Foreign investment and acquisition of technology necessary for India's industrial development would be allowed only on such terms as are determined by the government of India to be in the national interest. In areas where foreign technological know-how is not needed existing collaborations will not be renewed and foreign companies operating in such fields will have to modify their character and activities in conformity with national priorities within the framework of the Foreign Exchange Regulation Act. To guide entrepreneurs, government will issue a revised illustrative list of industries where no foreign collaboration, financial or technical, is considered necessary since indigenous technology has fully developed in this field.

For all approved foreign investments, there will be complete freedom for remittance of profits, royalties, dividends as well as repatriation of capital subject, of course, to rules and regulations common to all. As a rule, majority interest in ownership and effective control should be in Indian hands though government may make exceptions in highly export-oriented and/or sophisticated technology areas. In 100 per cent export-oriented cases, government may consider even a fully owned foreign company.

Joint Ventures

A number of joint ventures have been set up in many developing countries by Indian entrepreneurs in collaboration with local associates. At the present stage of the country's industrial development, substantial export of capital from India will neither be feasible nor desirable. The contribution of the Indian entrepreneur to the joint ventures abroad shall, therefore, have to be mainly in the form of machinery and equipment, structurals and also technical know-how and management expertise. In cases where, in addition, some cash investment is found necessary, government will be willing to consider such investment up to a maximum limit to be prescribed for this purpose.

Import liberalisation: Self-reliance must continue to be a paramount objective of country's industrial and economic policy. Recent events in the international economy have demonstrated that the main burden of adjustment to external shocks and changing international environment has to be borne by the country itself. Our industrial strategy, therefore, must respond to the objective of creating an industrial base which is sufficiently diversified and sufficiently strong to withstand the vagaries of int
national trade and aid relatio
ships. The creation of a stro
and diversified industrial ec
nomy does not mean that t
country should not or need n
participate in internation
trade, both as exporter and i
porter of industrial goods. Th
we must continue to do. In fac
the favourable changes th
have taken place in our forei
exchange situation and the pr
gress that we have made in t
industrial field should now e
able us to selectively dispen
with import quotas and quan
tative restrictions, while r
taining the protection giv
through tariffs.

Import Controls

Relaxation of quantit
tive import controls, mu
however, be consistent wi
our overall Plan prioritie
Such relaxation will be in are
where existing quantitative r
trictions are hurting rath
than helping the future dev
lopment of high priority indu
tries, for example by undu
delaying the implementati
of critical projects or whe
indigenous industry is taki
advantage of such restrictio
for raising costs and pric
beyond tolerable limits. Indi
industry would, of course,
given all assistance to impro
their competitive position a
their technology. Many Indi
firms are even today in a po
tion to compete successfully
international field, and the
fore no longer require the pr
tection through quotas.

Exports of manufactures
Export of manufactures a
an important and growing se
ment of our export trade. T
government will consider f
vourably proposals for expo
oriented manufacturing cap
city in fields where such inve
ment is likely to be int
nationally competitive af

king allowance for the struc- e of indirect taxation in the m of customs and excise ies and other similar levies. the case of wholly export ed activities, government l also be willing to consider mption from customs/excise ties on inputs, provided there substantial net value added the export product and also ch production is likely to herate additional direct and lirect employment.

Compulsory exports : In ny cases, compulsory export ligations have been imposed ile approving new industrial pacity because of the need to sure that import of raw mate- ls and capital goods requir- by the project are paid for rough future exports. Com- lsory export obligations, erely for ensuring the foreign change balance of the pro- t, would no longer be insist- upon. At the same time, in ture, an export commitment r a limited period of five ars will not be given the same eightage as before for relaxa- n of industrial licensing licy.

ompulsory Obligations

However, in cases where relaxation from indus- al policy has been accord- specially on considerations export, compulsory export ligations would continue to imposed and for sufficiently ng periods. In the past, while port obligations were impos- , equal attention was not paid ensuring that these com- itments are actually fulfilled. is intended to strengthen the pervision and surveillance chinery of the government r ensuring and compulsory port obligations are adhered in actual practice.

Location of Industries : The vernment attaches great portance to balanced regional development of the entire country so that disparities in levels of development between different regions are progressively reduced. The government have noted with concern that most of the industrial development that has taken place in our country since Independence has been concentrated around the metropolitan areas and large cities. The result has been a rapid deterioration in the living conditions especially for the working classes in the larger cities and attendant problems of slums and environmental pollution.

Dispersal of Industry

The government has decided that no more licences should be issued to new industrial units within certain limits of large metropolitan cities having a population of more than one million and urban areas with a population of more than five lakhs as per the 1971 census. State governments and financial institutions will be requested to deny support to new industries in these areas such as those which do not require an industrial licence. The government of India would also consider providing assistance to large existing industries which want to shift from congested metropolitan cities to approved locations in backward areas.

A sound price policy has to aim at a reasonable degree of price stability and a fair parity between prices of agricultural and industrial products. There has been a tendency to regulate prices of industrial products which are vital to the needs of development in a manner which made their production less attractive than production catering to the needs of the elite. It will be the policy of government to ensure that in cases where there is price control, the controlled price will include an adequate return to the investor. Provided that the industry is operating at a fairly high utilisation of capacity and is conforming to the technologically attainable norms, it will be permitted to earn a sufficient return to provide for a reasonable dividend to the shareholder and also adequate funds to plough-back into business for modernisation and growth. By the same token, government cannot permit exorbitant profits being made by industries which are operating well below their capacity or by units which operate in a monopolistic environment.

Workers' participation: The most important single resource of any country is the skill and hard work of its people. We, in India, have an abundant supply of labour which is capable of acquiring new skills very quickly and also an existing reservoir of technical and managerial personnel. These resources can be used effectively only in an environment in which the workers and managers develop a sense of personal involvement in the working of the enterprise.

An Anachronism

Family control of business particularly in the field of large scale industry is an anachronism, and it will be government's policy to insist on professionalism in management. At the same time, ways and means have to be found to create amongst workers, both in public and private sector industries, a stake in the efficient working of their units.

The government are examining the possibilities of encouraging workers' participation in the equity of industrial units without, in any way, adversely affecting their interests. Such equity participation together with an active association of workers in decision making from the shop floor level to the board level will provide the necessary environment for a meaningful participation by workers in the management of industry.

Disturbing Feature

Sickness in industry : One of the disturbing features of the industrial scene in recent years has been the growing incidence of sickness of both large and small units. In some cases, such as cotton and jute textiles or sugar, a high proportion of the units in the industry have become sick with the result that in order to protect employment, government has had to take over a number of such units. While government cannot ignore the necessity of protecting existing employment, the cost of maintaining such employment has also to be taken into account. In many cases, very large amounts of public funds have been pumped into the sick units which have been taken over but they continue to make losses which have to be financed by the public exchequer. This process cannot continue indefinitely.

In future, the take-over of management of units would be resorted to selectively and only after careful examination of the steps required to revive the units. It would also be the policy of the government to take quick and effective steps for rehabilitation and reconstruction of the units and to ensure professional management of such units on a continuing basis. The cost of overcoming sickness in industry becomes much more manageable if such sickness can be diagnosed at an early date. For this purpose, government in cooperation with the Reserve Bank of India have instituted arrangements for monitoring incipient sickness in industrial units so that corrective action can be initiated as soon as there is evidence of mismanagement or financial and technological weakness. The government is also considering measures whereby managers or owners who are responsible for mismanaging and turning their units sick are not permitted to play any further part in the management of other units.

Streamlining Procedures

Government will continue its effort to remove irritants in the industrial approval procedures which come in the way of accelerating industrial development. Since costs of delay are heavy and our country which is seeking to pull itself by its bootstraps can ill-afford them, swift progress should be our watchword and every effort will be made to improve administrative arrangement so as to result not only in further speedy and orderly approval procedures but also in enforcing an expeditious translation of letters of intent and industrial licences into productive capacity on ground. In order to streamline and simplify procedures and policies relating to industrial licensing as well as imports and exports, government have set up high level committees which will submit their report shortly.

Industrial development is a complex process requiring the effective interaction and cooperation of all sections of society. If the objectives of the new Industrial Policy of accelerating the pace of industrial growth, rapid increase in levels of employment, productivity and income of industrial workers and a wide dispersal of small and village industries have to be achieved, the willing cooperation of industrial workers, trade unions, managers, entrepreneurs, financial institutions and various governmental authorities responsible for implementing schemes of assistance will be essential. The main brunt of the effort, has, however, to be borne by our industrial workers and managers who are second to none in their skills and efficiency. The government earnestly appeals to all these groups to work together in a spirit of dedication to the national cause. It is only by our own skills and efforts that we can hope to solve the numerous problems facing the country.

1977 has been a year of historical changes and people's expectations in the political and economic fields are high. It is hoped that the new direction that is being given to the industrial policy of the country will help in the creation of a just and equitable society in which the benefits of industrial development will be shared by all the people.

Reserved Industries

List of industries reserved for exclusive development in the small scale sector as on December 23, 1977 referred to in the statement on Industrial Policy are given below :

1. Absorbent cotton, 2. Automobile Radiators (except for expansion on merits), 3. Barbed wire, 4. Beam scale. 5. Bichromates (except for exports), 6. Bolts and nuts (except high tensile and other special types), 7. Conduit pipes—metallic,

8. **Domestic electrical appliances and accessories :-**

(i) Cooking ranges upto 4 hot plates bolier plates with/ without baking oven/hot case upto 4 KW. (ii) Storage Water Heaters/Geysers a. up to 100 litres capacity, b. upto 3 KW. (iii) Washing machines with/ without; spin driers a. upto 8 lbs. cap dry (3.63 kg), (iv) Hot Plates/Boiler Plates; a. upto 3 nos. b. upto 4 KW. (v) Bread toasters—ordinary auto/ semi-auto, up to cap. 6. slices, (vi) Hot cases; upto 4 cubic ft, (113.2 litres), (vii) Electric Irons (Ordinary auto-steam); up to 8 lbs. weight, (3.63 kg). up to 2 KW, (viii) Hot Air Blowers Heat Convertors; a. upto fan size 10″ (26 cms) b. upto Blower size 8″ x 2.5″ dia (20 cm x 60 cm).

(ix) Mixers Grinders with/ without accessories such as Meat mincer, all purpose Beater, Expresso Coffee maker, Centrifugal juicer, citrus fruit juice extractor, etc; a. Cap. of Jar 1 litre maximum, b. up to 500 watts 30 minutes rating. (x) Ice Cream Makers; Cap. 1 litre (for use with domestic refrigerators), (xi) Room Heaters; upto 3 KW, (xii) Egg Boilers; upto 1½ dozen eggs, (xiii) Espresso Percolators; (xiv) Water boilers; upto 100 litres capacity, (xv) Espresso Coffee makers; upto 1.70 litres capacity, (xvi) Coffee percolators; upto 1.70 litres.

(xvii) Electric Kettles (sauce pan/ring types); upto 1.70 litres, (xviii) Electric stoves; upto 3 KW. (xix) Immersion Water Heaters; upto 3 KW, (xx) Hair Driers; all types, (xxi) Food Warmer Trayes; upto 500 watts, (xxii) Baking Ovens, with/without provision for roasting grilling; upto 56.6 litres & 1 KW, (xxiii) Electric Auto Tandoors.

9. **Dyes** :- (i) Azo dyes
(directs and acids), (ii)
dyes, 10. Electrical light fit
(such as chokes, starters,
ectors, etc.), 11. Expa
Metal, 12. Firework,
Formulated Perfumery
pounds, 14. Full PVC F
wear (Chappals, sandals
shoes except for export
predominantly, export-ori
ed units), 15. Glass H
ware by semi-automatic
cess.

16. Gun Metal Bushes,
Hand Numbering Machi
18. Hurricane Lanterns,
Hypodermic Needles,
Insecticides, Dusters
Sprayers (manual), 21. La
dry soap, 22, Leather f
wear (except for expansion
the existing units and
units for export), 23. Mach
shope vices, 24. Metal
switches (upto 30 amps).

25. Machine screws
cept socket head and spe
types). 26. Miniature bu
(except special P&T min
cap, lamps, electro-medi
and prefocus automobile
(a) Miniature vacuum bul
(b) Torch bulbs (c) Ra
penel bulbs, (d) Cycle dyna
bulbs, (e) Decoration bul
27. Paints and varnishe
dry distempers, red lead,
oxide, Aluminium pain
Bitumen paints to ISI Spec
cations, wagon blacks, G
phite paints, all paste pain
28. Palm rosa oil.

29. **Paper conversion p
ducts** :- (i) Corrugated pap
and board, (ii) Paper a
board; Cartons, (iii) Pap
bags, (iv) Paper envelopes,
Paper Napkins, (vi) Pap
cups, (vii) Paper plat
(viii) Drinking straws, (
Paper tubes and cones,
Corrugated fibre board co
tainers, (xi) Gum tape, (x
Waxed paper, (xiii) Bl
print papers—all types, (x
Teleprinter rolls, (xv) Sten

per, (xvi) Tele tape rolls, vii) Slitting of paper into lls and sheets, (xviii) Com- osite containers, (xix) Sani- ry towels, (xx) Paper twine, ring and rope, (xxi) Paper aps, (xii) Decorative papers, xiii) Exercise books; file vers, registers etc, (xxiv) ansfer labels, (xxv) Bitu- inised water-proof paper. xvi) Gummed paper stickers, bels, etc., (xxvii) Treated acing Paper, (xxviii) Paper nes, (xxix) Carbon Paper.

30. Pine oil (except for mposite schemes), 31. aster boards.

32. **Plastic processed produ-** :-(i) Bottles, caps, buttons, mp shade etc. produced by e compression moulding chnique, (ii) Plastic articles anufactured from plastic eets, rods or tubes by the brication technique exclud- g the technique of vaucum rming (iii) Polyethelene ms (films with a thickness less than 0.10 mm) and oducts from the film such coloured printed film and gs, (iv) Blow-moulded con- iners and other similar pro- cts manufactured by the ow moulding technique cept for captive use PVC ntainers and change over by isting units manufacturing tal containers to plastic ntainers), (v) Spectacle mes from sheets by fabrica- n technique or by injec- n moulding, (vi) Manu- ture of polyester sheets for ttons and the processing of sheets so produced to nufacture buttons.

33. Rivets of all types (in- ding bifurcate), 34. Roll- : shutters, 35. Roofing, oring and glazed tiles cept plastic ceramic tiles of s 10 cm x 10 cm and above). Safety matches, 37. Steel ol, 38. Student's Microscopes, 39. Surgical Gloves (except plastic), 40. Telescop Aerials (for Radio receivers). 41. Thermometers (upto 150°C). 42. Water meters.

43. Welded Wire mesh (except for expansion of existing unit), 44. Wire brushes and Fibre brushes, 45. Wire products—all wire products such as wire nails, hob nails, panel pins, horse shoe nails, 46. Wood screws, 47. Hand stapling machine, 48. Cycle tyres and tubes, 49. Electric horns, 50. Hydraulic jacks (below 30 tonnes capacity).

51. Tooth paste, 52. Pressure die castings (up to 4 kg). 53, Drums and barrels (upto 60 litres capacity), 54. Tin containers—unprinted (other than OTS) cans upto 18 litres capacity, 55. Fresh light torch cases (Plastic), 56. Truck body building (wooden structure), 57. Battery cell tester, 58. Pressure gauge (up to 3.52 kg sq cm.), 59. Low tension insulators.

60. AAC & ACCR Conductors (up to and including 19 strands), 61. Electric transmission line hardware (other than those manufactured in malleable castings), 62. Grease nipples and grease guns, 63. Exhaust mufflers, 64. Zinc oxide, 65. Auto leaf springs, 66. Chaff cutter blades, 67. PVC & VIR wires of domestic type, 68. Weights.

69. Sodium silicate, 70. Metal fittings for garments and leather goods, 71. Domestic utensils (other than stainless steel), 72. Cashew shell oil, 73. Room coolers (desert type), 74. Cotton measuring tapes, 75. Rubberised cloth, 76. Steel measuring tapes, 77. Household knitting machine.

78. Para-dichlrobenzene balls 79. Potassium silicate, 80. Calcium silicate, 81. Fuel tank caps, 82. Fuel lines, 83. Wiring harness, 84. Tail lamp assembly, 85. Side lamp assembly, 86. Stop lamp assembly, 87, Sport lamp assembly, 88. Bulb horns.

89. Seates for buses and trucks, 90. Ornamental fittings, 91. Rearview mirrors, 92. Sun shades, 93. Sun vision, 94. Luggage carrier, 95. Tyre inflators (both hand and foot-operated). 96. Ash-trays, 97. Hub caps, 98. Wind shield wipers (arms and blades only), 99. Electrical fuses. 100. Electrical fuse boxes.

101. Battery cables and fittings, 102. Spokes and nipples, 103. Steering wheels, 104. Horn buttons, 105. Battery terminal lifters, 106. Condensors and resistance testers, **107.** Armature tester, 108. Feeler gauges, 109. Fender spoons and hammers, 110. Flanging tools.

111. Gear flushers, 112. Puller of all types, 113. Spark plug tester and cleaners, 114. Screw extractors, 115. Toe in gauges, 116. Tyre value pullout tools, 117. Stud removers (extractors), 118. Tube cutters 119. Flanging tools, 120. Valve lifters.

121. Valve replacing and resetting tools, 122. Camber testing equipment, 123. Ring expanders, 124. Ring components, 125. Agricultural implements, (i) Hand-operated tools and implements, (ii) Animal driven implements, 126. Diesel engines upto 15 HP (slow speed), 127. Chlorinated paraffin wax, 128. Bicycle tube valves.

129. Voltage stabilisers, 130. Drawing and mathematical instruments and survey instruments excluding the odolite, 131. HD Polythelene monofilament yarn, 132. Weighing machines except sophisticated items, 133. Emergency lamps, 134, Boosters, 135. Asbestos pipes and fattings (for household), 136. IF Transformers, 137. Air-trimmers for professional use, 138. Assembly of loud-speakers.

139. Hearing aids, 140. Electronic flashgun, 141. Amplifiers for entertainment and public address system, 142. Transistor headers, 143. Low-cost radio receivers (below Rs. 200), 144. Dimethyl sulphate based on methyl alcohol, 145. Wire gauge and wire netting (thicker than 100 mesh size), 146. Pyrazolone, 147. Centrifugal pumps (up to size 10 cm x 10 cm) 148. Shoe grindery, 149. Washers, 150. Builders hardware, 151. Stranded wire, 152, File mechanism, 153. G.I. Buckets, 154. Pressure cookers, 155. Belt lacing, 156. Belt fastners.

157. Hand/animal drawn carriage fittings, 158. Cutlery, 159. Gate-hooks, 160. Tin cutters, 161. Domestic gas appliances such as cooking ranges, water heaters, hot plates etc. 162. Zip fasteners (metallic and non-metallic), 163. Oil stoves, 164. Sanitary fixtures (metallic only).

165. Umbrella ribs and fittings. 166. Snap fasteners, 167. Safety pins and other similar products like paper pins, hair pins etc., 168. Steel furniture, 169. Contact lenses, 170, Reinforced cement concrete pipes (up to 100 cm.), 171. Sanitary napkins.

172. Duplicating machines (other than special type), 173. Circlips, 174. Graphite crucibles (up to 300 nos.) and Silcon carbide crucibles (up to 100 nos.) 175. Carbon brushes manufactured from carbon black, 176. Wood-

wool slabs, 177. Black adhesive insulating tape.

178. **Electric motors** (up to 10 HP (7.5 KW) AC Single phase three phase Squirrel —Cage induction motors excluding the following: (i) Flame proof motors, (ii) Specially designed motors for specific duties, (iii) Variable speed motors such as pole-charging motors. (iv) Loom/textile motors; and (v) Motor for hermetically sealed and semi-sealed compressors. (b) FHP motors 1/8 HP to 1 HP — AC single phase/three phase 103 squirrel —Cage induction motors excluding the following: (i) Motors for hermetically sealed and semi-sealed compressors. (ii) Flame-proof motors; (iii) Loom/textile motors, 179. Teachest plywood, 180. Camel black (type-retreading material).

Chemicals and Reagent

181. Ammonium sulphate, 182. Ammonium fluoride, 183. Ammonium carbonate, 184. Antimony potassium tartrate, 185. Aluminium sulphate, 186. Ammonia solution, 187. Cadmium acetate, 188. Cadmium carbonate.

189. Cadmium chloride, 190. Calcium chloride, anhydrous, 191. Chromic acid, 192. Cobalt sulphate, 193. Cobalt nitrate, 194. Cupric nitrate, 195. Cupric sulphate, 196. Dimethyl sulphate, 197. Ferrous sulphate.

198. Hydrochloric acid, 199. Lead acetate, 200. Lead nitrate, 201. Magnesium trisilicate, 202. Nickel carbonate, 203. Nickel formate, 204. Nitric acid, 205. Potassium nitrate, 206. Potassium chloride.

207. Potassium citrate, 208. Potassium iodide, 209. Potassium sulphate. 210. Sodium nitrate, 211. Sodium oxalate, 212. Sodium sulphate Anhydrous, 213. Silica gel, 214. Silver nitrate, 215. Sulphuric Acid.

216. Zinc oxide, 217. Acetic acid glacial, 218. Acetone, 219. P Aminophenol, 220. Isoamyl acetate, 221. Amyl alcohol, 222. Benzene, 223. Butyl alcohol, 224. Chloroform.

225. Diethyl ether, 226. Ethyl alcohol, 227. Ethyl acetate, 228. Iso amyl alcohol (for milk testing), 229. Isopropyl alcohol, 230. Methanol, 231. Petroleum ether (different distillation ranges), 232. Petroleum ether (for chromatography), 233. Toluene 234. Nickel sulphate.

235. Alum, 236. Nickel salts/sulphate, chloride, carbonate, formate and electroplating salts, 237. Copper salts/sulphate, chloride, oxychloride, carbonate and nitrate, 238. Aluminium hydroxide gel, 239. Magnesium trisilicate, sulphate, 240. Potassium iodide, metabisulphate, 241. Sodium iodide, sulphide, chromate, thiocynate and thio sulphate, 242. Precipitated Silica, 243. Sulphur Powder (other than insoluble) for rubber vulcanisation.

244. Calcium chloride, 245. Barium salts/sulphate, chloride, sulphide, carbonate & nitrate, 246. Cadmium salts/oxide, cynide, sulphides, nitrate, phosphate and iodide, 247. Zinc salts/cynide, chloride, sulphate including micronutrient and nitrate.

Dyestuffs

248. Indigo, 249. Naphthols (AS, AS-D AS-E, AS-G, AS-LC, AS-IRG, AS-BS etc.), 250. Phthalocyanines (blue and green), 251. Reactive dyes (Cyanuric Chloride Group), 252. Fast colour bases, 253. Optical whitening agents (for cotton textiles).

Organic Chemicals

254. Glycero-phosphates and Glycerophosphoric Acid, 255. Lanolin Anhydrous, 256. Para-amino phenol, 257. Paracetamol. 258. Xanthates, 259. Phthalates DPO, DBP, DMP, DEP, 260. Citrates and Tartrates, 261. Benzyl Chloride, 262. Benzyl Benzoate.

263. Dichlorophenol, 264. Alkyd Resins, 265. Fumaric Acid, 266. Tartaric acid (from Maleic anhydride), 267. Polyester Resins, Paint driers (Naphthnates, octates, Linoleates, etc., of Lead, Cobalt, Manganese, Zinc, Calcium etc.)

269. All Natural Essential Oils including Eucalyptus oil.

Plastic Products

270. Plastic Rain coats and similar other thermo-welded products, 271. Polypropylene tubular films except biaxially oriented, 272. Fibre-glass reinforced plastic products, 273. Hessian and paper to polyethylene laminations (straight and sandwiched), 274. Industrial items from Engineering plastics, 275. Tooth brush, 276. Fountain pens, ball point pens and their components (except metallic tips), 277. Plastic collapsible tubes.

278. Plastic combs, 279. PVC pipes and fittings including conduits (upto 100 mm dia), 280. Acrylic sheets, 281. PVC compounds, 282. Polypropylene box strappings, 283. Polyethylene and PVC flexible noses, 284. Monofilaments from polypropylene, 285. Polyurathene foam and its products, 286. Polystyrene foam and its products, 287. Compression moulded products from
and PF powders.

Rubber and Allied Products

288. Synthetic adhes
(rubber, latex, PF, UF
PVA based), 289. Rub
Tubing, 290. Tyre Retreadi
291. Rubber Thread, 2
Latex Products (Balloo
Surgical Gloves and sim
dipped goods), 293. Rub
blowing agents (Hexam
based), 294. Rubber H
Pipes and Rubberised H
Pipes, 295. Hot Water B
and Ice caps, 296. Mic
cellular sheets.

297. Hard rubber batte
containers, 298. Oilse
and 'O' rings, 299. Rub
moulded goods, 300. Rub
to metal bonded parts, 3
Latex foam and latex fo
products.

Food Industries

302. Confectionery, 3
Ice Cream, 304. Edible O
(except solvent extracted oi
305. Vinegar, 306. Sweete
ed cashewnut products, 3
Pickles and Chutneys, 3
Ground and Processed spic
309. Guar Gum, 310. Poul
Feed 311. Rice and Dal Mi
312. Bakery products (B
cuits/Bread).

Leather and Sports Goods

313. Vegetable tanned hid
and skins (Semi-finishe
314. Chrome tanned hid
and skins (Semi finishe
315. Picking Band leath
316. Laminated leather, 31
Harness leather, 318. Spo
goods, Cricket and Hock
balls, Hockey sticks and sh
tle cocks, 319. Football, V
ley ball and Basket ball cove
320. Leather Purses and Ha
bags, 321. Fancy leath
goods and other novel
items, 322. Industrial leath
gloves, 323. Leather suitcas

d travel goods, 324. Bark aned sole leather, 325. ning leather from goat and eep, Kattai and Bunwar ther, 326. Skins, 327. ather washers and lacs, 8. Leather pickers and other xtile accessories (made of ather), 329. Protective equip- ent for sports like types, 1. Leather garments, 332. ads, Gloves, etc. (soft ather goods), 330. Leather ases and Covers of all eather-cum-foam shoes.

aper and Stationery

333. Typewriter Ribbons, 34. Gummed paper in- uding stamp paper.

335. Cotton Belting, 336. nitted Cotton and Woollen hawls, 337. Canvas Hoses, 38. Cotton Hosiery, 339. eadymade Garments, 340. All types of sports nets, 341. Woollen Hosiery.

342. Glass tubes, 343. Glass beads, 343. Stoneware Jars and Kundies, 345. Salt glazed sewer pipes, 346. Chemical Porcelain, 347. Mouthblown Glassware, 348. Scientific Laboratory Glassware, 349. Microcover glasses and slides for Microscopes, 350. Fire Bricks and Blocks of standard shapes and sizes.

351. Glass Bangles, 352. Plaster of Paris, 353. Pottery mugs and bowls (Ceramic), 354. Glass pressed wares, 355. Glass vases, 356. Glass vials/phials (for perfumes).

Miscellaneous

357. Wax Candles, 358. Sealing Wax, 259. Chalks including tailors' chalk and crayons, 360. Naphthalene Balls, 361. Artists' colours (oil, water and wax based), 362. Brushes (all types), 363. Fountain Pen Inks, 364. Floor Polishes, 365. Adhesive baxed on stearch, gum and dextrin, 366. Hair oil.

367. Gum Paste, 368. Shoe Polish, 369. Wood Polish/ French Polish, 370. Metal Polish, 371. Pencils. 372. Tooth Powder, 373. Glue.

Mechanical Engineering

374. Sewing machines (domestic, hand operated, conventional type), 375. Bench grinder upto 300. mm diameter, 376. Power Hacksaw (Mechanical) 300 mm blade size, 377. Turning, boring & threading 'addas' (small, single or multiple operation devices), 378. Simple cone pulley driven lathe upto 2000 mm bed length, 379, Bicycle spares; all parts except free wheels, 380. Band saw blades (for cutting wooden logs), 381. Clocks: Wall Clocks, pendulum type both with mechanical movement and transistorised movement, except lever type clocks, 382. King pins/Shackle pins (automobile use).

383. Oil crushers and its spares, 384. Low speed gears for use in agricultural machines like crushers, winnowers, thrashers etc. (made of cast iron/mild steel non-heat treated), 385. Hand Hammers, Chisels, Spanners, Wire Cutters and similar items of tools for hand forging, blacksmithy, carpentry and foundry 386. M.S. pipe fittings (upto 100 mm dia), 387. M.S. and

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401. Watch dials except ornamental & high priced dials (simple dials), 402. Absolute Filters for biological and air conditioning applications, 403. Mechanical jacks upto 30 tonnes, 404. Watch straps (leather, PVC and metallic), 405. Carbide-tipped tools (single point brazed) (Carbide bit purchased from manufacturers). 406. Pencil Sharpners, 407. Time-pieces—mechanical winding with alarm (conventional), 408. Flexible metallic pipes upto 35 mm dia (for non-pressure applications), 409. Cocks and valves for water fittings.

410. Overhead projector and all other projectors, 411. Hand Shovels in mild steel, 412. Cufflinks, tie-pins, metallic dress-bottons & buckles, 413. Metallic doors & handles, 414. Concrete Mixers upto 3 cubic meter capacity, 415. Bicycle Chains, 416. Gas lighters; mechanical, 417. Cigarette lighters, 418. Tube valves (Bicycle).

419. Tricycles, Perambulators, components & accessories, 420. Photographic enlargers, slide projector & overhead projectors, 421. Microscope, student and medical use, 422, Books of all types.

423. Rice & Dal mill machinery, 424. Sanitary fixtures (Metal and plastic), 425. Hospital furniture such as cots, tables, trolleys, adjustable beds etc, 426. Paint brushes, 427. Locks, doors and handles (Automobile), 428. Air compressors upto 5 HP for spray painting, repair shops, 429. Painting equipment like spray guns etc, 430. Machine tool accessories (a) Machine Vices; (b) Dog Plates, (c) Steadies; (d) Coolant pump etc, 431. Drafting machine for designing and drawing offices.

432. Animal Drawn Vehicles 433. Brass dampers, 434. Wooden crates, 435. Dust bins, 436. Ghamlas, 437. G.I. Bath Tubs, 438. Gun cases, 439. Hand drawn carts of all types, 440; Handles—Wooden and Bamboo.

441. Hand Lamps, 442. Wheel chairs for invalids, 443. Kudali, 444. Lanterns posts bodies, 445. Signal Lamps, 446. Lamp Holders, 447. Manhole covers (CI), 448. Chains lashing, 449. Postal weighing scales.

450. Hand Pump, 451. Railway platform drinking water trolleys, 452. Razors, 453. Steel Trunks, 454. Street-light fittings, 455. Steel windows and ventilators, 456. Teak Fabricated round block, 457. Tin trays.

458. Tent Poles, 459. Umrellas, 460. Wooden plugs, 461. Wheel barrows, 462. Wire adjusting screws, 463. Signal ladders, 464. Blacksmith hearths, 465. Dumbles and Chest expanders. 466. Nail cutters.

467. Sheep shearing machine, 468. Aluminium furniture, 469. Pilferproof caps, 470. Wooden boats—body bulding, 471. Liquid level controller, 472. Revolution counters (mechanical) 473. All poultry equipment.

474. **Dairy Equipment**:- (a) Double Can Mixer, (b) Micro Pulveriser, (c) Rotary Driers, (d) Basket Type Centrifuges, (e) Milk cooling and ghee settling Equipment, (f) Evaporating pans, (g) Butter Chun, (h) Curd Milks, (i) Agitators, (j) Storage tanks for dairies, 475. Bottle washer, 476. Satchat filling machines for pouches, 477. Graphite crucibles (upto 500 nos, capacity), 478. Agricultural machinery; Winnowers, wheat & rice, thrashers, seed cleaners, shellers of all types, graders, seed drills, crop driers, cotton delinting machines, dehuskers, reapers etc., with 5 BHP motors.

Electronics

479. Battery Eliminators, 480. Wire Wound Resistors other than professional types. 481. T.V. Antennas, 482. Radio/Car Radio (Low cost upto Rs 250 each), 483. Electronic Cigarette Lighters, 484. Invertor and convertor upto 500 Volts Amperes, 485. Regulated DC power supplies (upto 0.01 regulat
486. Digital Clocks,
T.V. Games, 488. T.V. T
ners.

489. Radio & T.V. Co
490. Electronic Fan Regu
tors, 491. Dimmers, Twili
Switches, 492. T.V. Boos
Amplifiers.

Electrical Engineering

493. Exhaust fan upto
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Miniature circuit breake
495. Table fans, 496.
break Offload isolaters (up
11 KV) including gang op
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(except for captive consum
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Dehydrated vegetables, 5
Stove wicks, 501. Toy ma
ing, 502. Pen holders, 5
Office pads, 504. Pen nibs.

Year of reservation	No. of industries reserved	Sl. N in th list
1967-68	46	1-
1969-70	5	47-
1970-71	73	52-1
1973-74	53	125-1
1976-77	3	178-1
23-12-1977	324	181-5
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Editor : V. Balasubramanian
Registered at the GPO, London, as a newspaper

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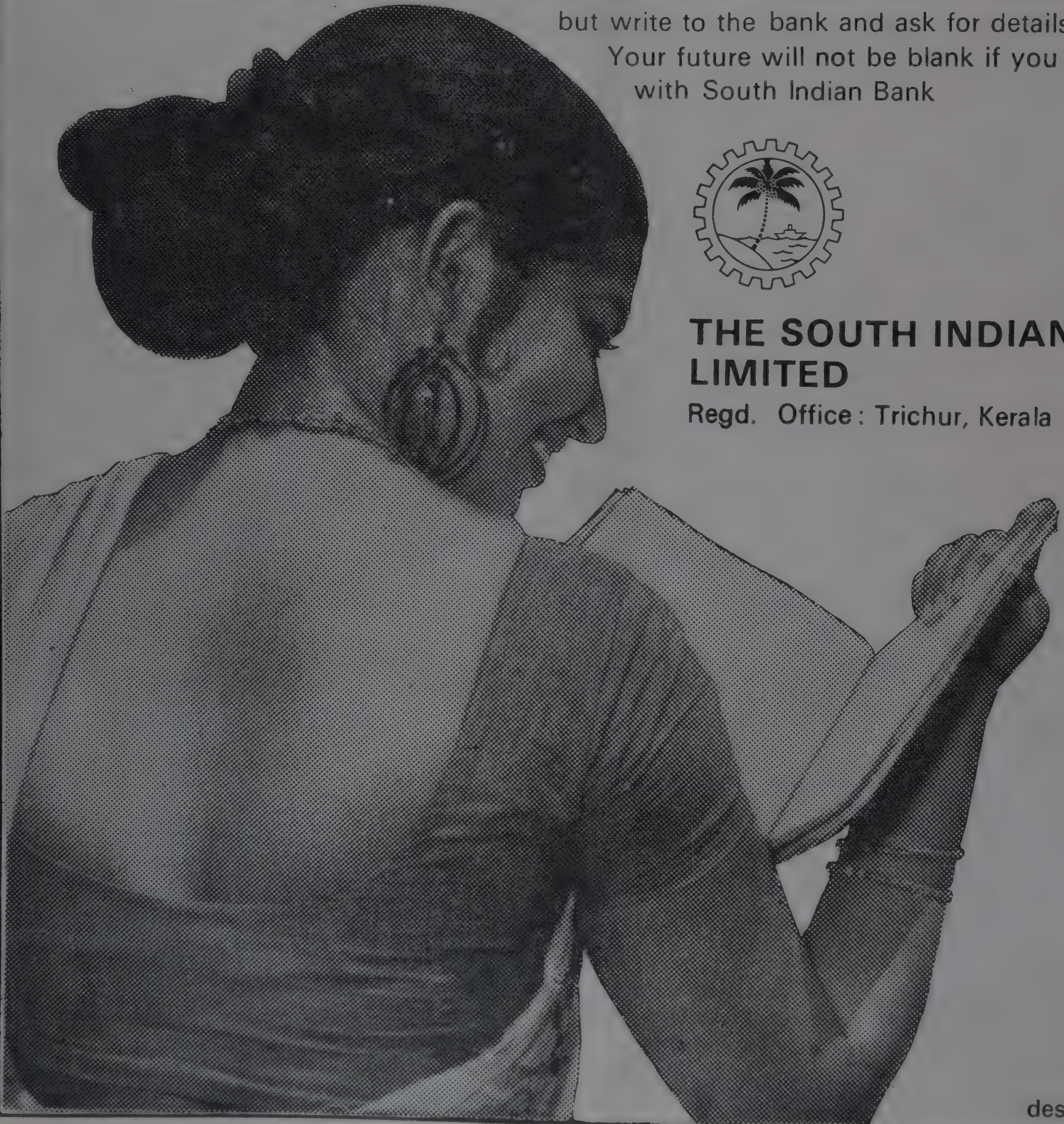

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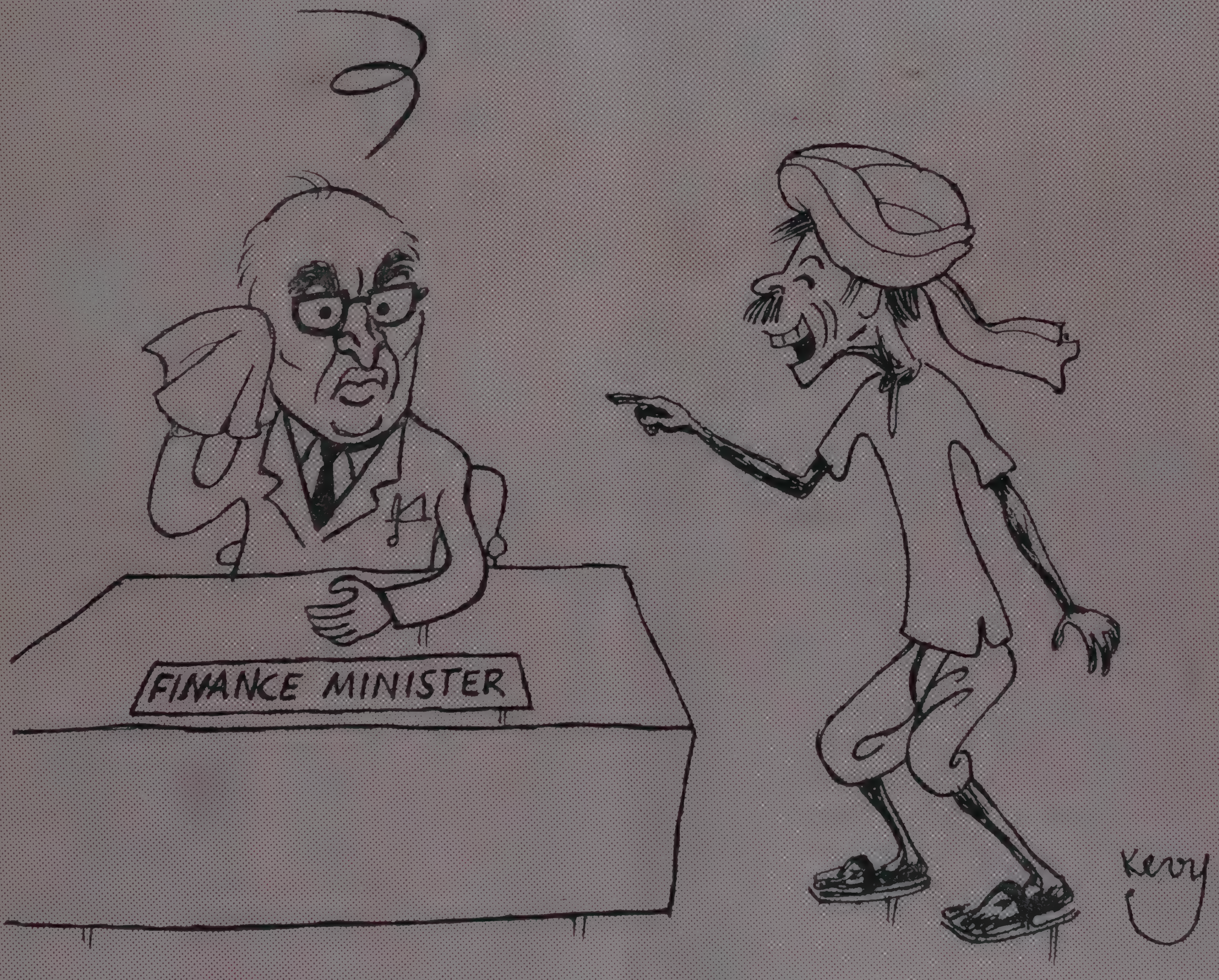
Vol. 70 JANUARY 13, 1978 No. 2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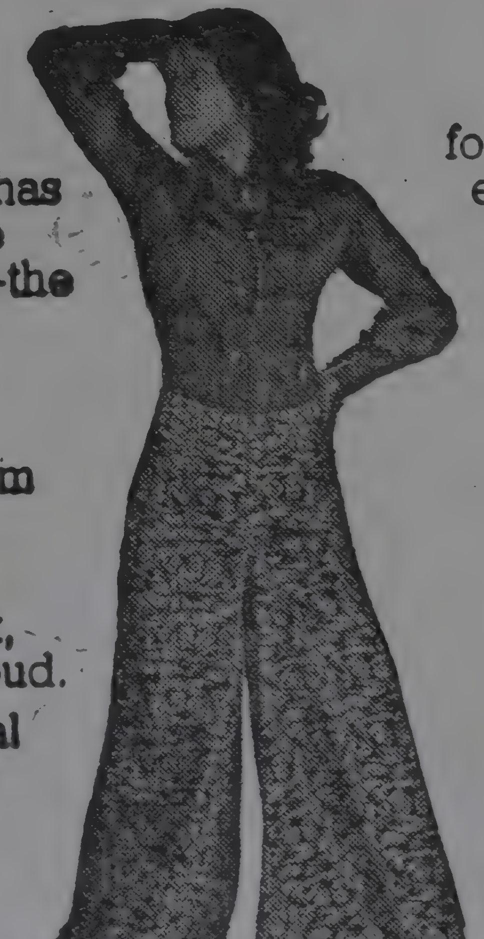

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Never say die

Mrs Gandhi's latest virtuoso performance in the political arena may be the flicker of a dying flame, but there is no denying the fact that the bad old party has not lost her touch. It is inconceivable that any one else, reduced to the circumstances she now finds herself in, could have staged the show she did during the new year weekend in the capital. Despite the Carter visit, her "national convention" and her new party managed to secure some impressive newspaper headlines and coverage. She has always been a great one for exploiting the lung-power and the muscle-power of the faithfuls and the hangers-on and the crowds which they could collect for her circuses. On this occasion, all these resources were fully deployed. The lung-power was brought into the drama for launching tirades against almost everyone in sight, including the visiting US president, who was treated to a hostile demonstration on his way from the airport to Rashtrapati Bhavan. The muscle-power went into action on sundry occasions such as the hustling of an unpalatable cartoonist. Nevertheless, it would be a mistake to write off Mrs Gandhi's latest political exercises as an inconsequential farce. Beneath all that surface histrionics there is a deadly seriousness of purpose.

That purpose is clear and it may already have been achieved in part. Mrs Gandhi has set out to destabilize the political situation so that, in the ensuing confusion or chaos, she may save herself from being made to pay for her emergency sins and crimes. Her ultimate expectation may even be that she will be accepted as a saviour by a desparate nation. However, her proximate purpose surely is to make mischief so that the country's post-emergency progress towards the consolidation of its parliamentary party system and the reconstruction of its democracy may be held up or even reversed. Unfortunately, the context is quite favourable to her. The Chavan-Reddi pair just does not have it in itself to give an effective lead to the Congress party and shape it into a viable national opposition. In fact, once the voting is over in the states where elections are due, the Congress party may find itself a derelict. This could well prove a dubious blessing for the Janata party. For instance, unity and domestic peace in the Janata leadership are pitifully dependant on the discipline of a strong opposition in the legislatures and the country. In the absence of an effective opposition, the Janata party may be less disposed to be on its guard against infighting and indiscipline. In these circumstances, Mrs Gandhi's strategy of destabilising the political situation could meet with some easy success without much effort or loss of time. How much more effective it is would depend on how soon she could put the Janata party and the government on the defensive by her demagogic appeals to the people. Already, with unerring instinct, she has identified several areas of disappointment or anxiety in the mass mind and is addressing her inflammatory ministrations to them.

Mr Raj Narain may not be the most reliable guide to the facts of the political situation, but his warning that Mrs Gandhi and her henchmen may be planning to cause disorder in sensitive areas of public affairs should not be lightly treated. This is the first time that Mrs Gandhi finds herself compelled to function actively and aggressively as a political leader without the benefit of the organisational resources of a powerful political party or the authority of the highest office in government. It is therefore quite possible that she may prove herself to be equal to adopting extremely unscrupulous and desperate means for re-establishing herself in the political life of the nation. To the extent that her tactics pose a law and order problem for the government, her activities should be dealt with according to the law of the land.

The political challenge will however remain and it is here that the Janata party should display the statesmanship of which there is as yet no sign. However tempting it may be for its leadership to throw open its doors to defectors from the Congress factions, especially in the southern states, it should realise that the encouragement of opportunism would only aggravate the forces of disintegration already assailing the party system of government. The fabrication of unnatural alliances also does not offer a satisfactory solution. Some of the Janata leaders, for instance, are trying to sell the idea of an electoral alliance with the CPI(M) for contesting the ensuing elections. To them the events in Tripura should be a warning. That party's strategy seems to be to establish itself in the eastern region as the opening gambit in a take-over game on a national scale. The Janata leadership will therefore have to consider seriously whether it is wise to be a party to any arrangement which may have the effect of enhancing the credibility or respectability of the cummunist presence in our politics. The Janata party leadership should therefore react with the greatest caution to the titillations of the politics of compromise. Its best bet is the business-like pursuit of policies which can deliver the goods early enough to an electorate which is losing patience and may soon lose faith.

Export promotion and industrial policy

THE JANATA government's industrial policy reveals an awareness of the important role of exports in accelerating the development of the country's economy. But some of the proposed measures do not seen conducive to strengthen the competitive capacity of our industries. For example, the restrictions to be enforced on the large-scale units are likely to make it more difficult for them to face the challenge from developed countries in the markets of the world. The provisions of the Monopolies and Restrictive Trade Practices Act are to be implemented more strictly. The expansion of the existing undertaking into new lines and the establishment of new units by the lage houses will need specific approval by the government.

Large houses will have to rely more on their own internally generated resources. The share of the large-scale units in the total capacity for the items reserved for the small sector is to be steadily reduced. What will be the impact of these measures on export promotion? Are the large-scale industries in the developed countries subjected to restrictions of this kind? The government has explained that the industrial policy aims to regulate the activities of large houses to bring them in line with our socio-economic goals. But for a country like India whose negligible share in world trade, far from increasing, is showing signs of decline, will such regulations help to impart dynamism to the export drive?

The industrial policy statement has said that, in future, compulsory export obligations, mainly for ensuring the foreign exchange balance of the project, would not be insisted upon. However, in cases where a relaxation from industrial policy has been given specially on considerations of export, compulsory export obligation would continue to be imposed and for sufficiently long periods. The government does not seem to have realised the practical difficulties that industrial units have to face in fulfilling export obligations. The statement says that "in the past, while export obligations were imposed equal attention was not paid to ensuring that these commitments are actually fulfilled." The government should have examined why this happened—whether it was due to slackness on the part of the administration or because of genuine hardship experienced by the units concerned.

The statement has declared that "it is intended to strengthen the supervision and surveillance machinery of the government for ensuring that compulsory export obligations are adhered to in actual practice." The government should implement this proposal with sympathy and imagination so that industries will not be compelled to export their products at lower prices or compromise on quality.

In the case of wholly-export-based a
vities, the industrial policy statement
announced the government's intention
consider exemption from customs a
excise duties on inputs, provided ther
a substantial net value added in the exp
product and such production is likely
generate additional direct and indir
employment. Such facilities may
extended to other industries which m
not be wholly export-oriented at pres
but have petential for substantial exp
in the near future and contribute to
creation of employment opportunities.

plea for liberalisation

In regard to joint ventures abroad, t
industrial policy statement has said th
the contribution of the Indian entrep
neur should have to be mainly in the fo
of machinery and equipment, structura
and also technical know-how and manag
ment expertise. In addition, where so
cash investment is found necessary, t
government has agreed to consider su
investment up to a maximum limit to
prescribed for this purpose. In view
the comfortable foreign exchange situ
tion and the large scope that exists f
joint ventures in West Asia, south-ea
Asia and elsewhere, the government ca
afford to adopt a liberal policy in permi
ting cash investment.

So far as foreign companies are co
cerned, the industrial policy statement h
clarified that, as a rule, majority intere
in ownership and effective control shou
be in Indian hands though exceptio
will be made in "highly export-orient
or sophisticated technology areas". I
hundred per cent export-oriented case
even a fully owned foreign company wi
be considered. Complete freedom fo
remittances of profits, royalties, dividend
and repatriation of capital has been assur
ed for all approved foreign investment
subject to rules and regulations commo
to all. These provisions seem to be reasonable but it remains to be seen to wha
extent they will create a favourable impression on foreign investors. The work
ing of the Foreign Exchange Regulatio
Act (FERA) has been criticised in the
past by several influential business delegations that came to India from Britain, the
USA, West Germany, Japan and some
other countries. The industrial polic

tatement has said that the provisions of he FERA will be "strictly enforced." It eems therefore that foreign investors will prefer to wait and watch for sometime whether they wish to enter the export-oriented sector or the other areas.

"One of the disturbing features of the ndustrial scene in recent years," says the ndustrial policy statement, "has been the growing incidence of sickness of both arge and small units." It says that in ome cases as cotton and jute textiles and ugar, "a high proportion of the units has become sick with the result that in order o protect employment, the government has had to take over a number of such units. But the statement does not indicate any strategy to revive the sick units rapidly and improve their viability. It ays that, in cooperation with the Reserve Bank of India, the government has initiated certain measures to take corrective actions to deal with the problem of industrial sickness. These steps may enable the government to tackle sickness arising from mismanagement or similar causes. But what about the sickness created by wrong official policies? The persistence of sickness over a wide range of industries has been caused by such factors as unrealistic pricing, excessive taxation, inadequate credit, and lack of demand. Policies in regard to these matters need to be reviewed and made truly growth-oriented. The Jha committee has made many constructive proposals for reform of indirect taxation. The Alexander committee is expected to submit its recommendations this month for modifying the import and export policies. The government should promptly and effectively implement the suggestions of these committees so that industrial production can attain a continuous and substantial increase with its favourable impact on export promotion.

Processed foods for foreign palates

T IS a matter of gratification that the exports of the processed foods, which started moving up steadily in the early sixties, have gathered a good deal of momentum during the last four years. They aggregated to Rs 11.96 crores in 965-66 and went up to Rs 24.48 crores by 1972-73. Since then, the annual growth has got accelerated, with exports going up to Rs 31.02 crores in 1973-74, Rs 45.04 crores in 1974-75, Rs 62.55 crores n 1975-76 and approximately Rs 94.52 crores in 1976-77. This year they are argetted to be raised to Rs 117 crores.

The increase has been both on account of higher quantities being exported and etter price realisation. The items the exports of which have been particularly encouraging include fresh mangoes and mango juice, other canned and bottled fruits, fresh as well as frozen meat, biscuits, guar gum and meal, instant tea and coffee, fresh potatoes and onions, and wallnuts. The other prominent items exported include some fresh seasonal vegetables (such as lady finger, karela, tinda, beans, green bananas, ginger, etc) canned and dehydrated vegetables, pickles and chatnis, poultry products, confectionery and sweets, non-alcoholic and alcoholic base beverages, wheat bran, malted milk and baby food, starch and its derivatives, papad, butter and ghee, cocoa products, animal casings, scented supari and mushrooms.

The exports of fresh vegetables as well as fresh onions, of course, have been suspended in the recent months with a veiw to containing their prices in the domestic market. The concerted efforts being made to step up the exports of other products, however, hold out the promise of this year's target of Rs 117 crores worth processed foods exports being accomplished. In fact, the Processed Foods Export Promotion Council (PFEPC), which held its 14th annual general meeting here a few days ago, has expressed the view that if the current tempo of growth can be maintained, the exports of processed foods can be raised to Rs 130 crores next year, Rs 150 crores in 1979-80, Rs 175 crores in 1980-81 and Rs 204 crores in 1981-82. These do not include exports of fish and other sea foods, which themselves have grown substantially over the years.

good prospects

The processed foods industry has been able to find markets for its products abroad in a large number of countries, The fastest improvement in sales overseas, however, has occurred in the case of the west Asian and some east European markets. Exports to west European nations too have gone up, but only moderately. Several processed foods are exported to the east Asian countries also. Encouraging trade enquiries have been received this year from such countries as Australia, Canada, Denmark, Egypt, France, the Federal Republic of Germany, Italy, Japan, Korea, Malaysia, Pakistan, Switzerland, Thailand, the United Kingdom and the United States for items which have not been exported to these markets hitherto.

It, however, is an undeniable fact that compared to the potential available in the country, exports of processed foods are very modest. Much still remains to be done in accelerating their growth which cannot only help in augmenting our foreign exchange earnings quite substantially but also create a good deal of employment potential in the country, as the industry has vast scope for development in the small-scale sector throughout the length and breadth of rural India. The growth of this industry can also go a long way in conserving food supplies which at present go waste for want of processing facilities.

In view of the above, it is only to be hoped that in the new pattern of economic development, envisaged by the Janata government, the food processing industry would be accorded high priority. The industry, of course, itself will do well to adjust its sights from primarily urban areas and export markets to the vast rural areas. It is only the rural market which, apart from exports, can ensure a further phenomenal growth of the industrty. The task is not easy, but if taken up in a concerted way, as had been done in the case of tea marketing in the early stages it is not beyond accomplishment. In the, affluent countryside of Punjab, processed foods apparently are commanding a good market. This process obviously will get fostered as rural development gathers momentum elsewhere in the country. Catering for the rural areas in an increasing measure should help in expanding the scale of production, thereby throwing up larger surpluses for export.

One of the important tasks to which the industry has to address itself is containing production costs. While the food material costs can be kept within reasonable levels only through augmenting production, significant contribution can be made to the containment of the overall costs by going in for less expensive packaging materials. An overwhelming proportion of the packaging materials used at present is tinplates, the prices of which have multiplied significantly in recent years. This is inhibiting not only increase in the domestic sales but also has a vital bearing on exports.

new packaging

The plea of the chairman of the PFEPC, Mr K.K. Sharma, in this connection, deserves pertinent note. He has forcefully urged that we must not hesitate to adopt new packaging techniques which are becoming popular abroad. One such material, which has been successfully tried in such advanced countries as Japan, west European nations and the United States, is the laminated pouch that has three layers of polystyrene, foil and polythelene. Imports of equipment and machinery for the manufacture of such pouchs, which in the initial stages may have to be secured from abroad in finished form, need not be grudged, as according to expert estimates, the packaging costs through this measure can be brought down by at least 30 per cent compared to tin cans. The raw materials required for making laminated pouchs should be available in satisfactory quantities within the country with the development of the petro-chemical industry. There is no difficulty about securing foils from indigenous sources.

Mr Sharma has also made a strong plea for removing the ban on exports of fresh onions and vegetables. This, however, is not likely to be acceded to by the government at present as the prices of these products in the domestic market have to be contained. No doubt, exports of fresh onions and vegetables form only a small percentage of the total output in the country, but it cannot be denied that even this small percentage has provided fillip to serious inflationary tendencies in the vegetable market and the trade has not been averse to taking undue advantage of the situation whenever production has been affected even modestly.

In this connection also, however, Mr Sharma's suggestion for establishing some kind of linkage between domestic production and exports through a canalising agency deserves serious thought and can be experimented with. He feels that after ensuring a reasonable price to growers, for every 100 tonnes of onions procured and handed over to the canalising agency on a pre-determined price, the agency could easily permit exports of 5 to 10 tonnes. This mechanism would enable the canalising agency to build itself to a commanding position which it could utilise to regulate the domestic market behaviour. The ensuring of a reasonable price to growers can go some way in stepping up the output of onions that can suffice both for the domestic market and some exports.

The PFEPC considers that the scope for undertaking mushroom cultivation and processing is quite large and feels that we ought to follow the example of Taiwan and Malaysia which have embarked upon mushroom cultivation in a b way. Under controlled conditions temperature and moisture, mushroon can be produced anywhere in the count and perhaps throughout the year, thoug under natural conditions they can grown only at altitudes of 1,800 to 2,5 metres with temperature ranging betwe 15° to 20°C. Along with poultry ar dairy development schemes, a bold pr gramme for mushroom cultivation selected areas, it has been suggested, ca open up vast employment opportuniti in the farming sector of our economy,

The exports of fresh as well as froze meat can surely be multiplied fast throug the modernisation of our slaughter hous and those of animal casings through pr vision of adequate and suitable facto space in selected areas, particularly Delh The pleas of the PFEPC chairman fo rationalising the cash assistance schem for exports of processed foods so as remove ambiguities in the nomenclatu used in the scheme and for a reorientatio in the outlook and the approach of th import and export control organisatio of the government too deserve sympathe tic consideration. The working of th cash assistance scheme, undoubtedl leaves much to be desired. Perhaps, th Alexander committee, which has been s up recently to look into all aspects of polic and procedures covering import and ex port trade control measures, would devot the necessary thought on the two issues.

Eastern Economist 30 Years Ago

JAN. 9, 1948

The Thirtieth Session of the Indian Economic Conference held at Calcutta during December had the distinction of being the first session held in a free India and it was a good occasion for somebody asking how Indian economists should make themselves even more useful in tackling the complex issues facing the country. It may not perhaps be possible to take the valuable advice of Mr Rajagopalachari, Governor of West Bengal, in his inaugural address that the conference should appoint for the whole of India a panel of economists recognized as truthful and safe leaders in this branch of science, to give their authoritative opinion, without waiting for sanction from the Government. Economists in this country cannot be accused of having withheld their opinions or advice whenever it was asked for and not seldom have the spoken out their minds much to the chagrin o the Government. Less intractable opinion ha been available to the Government from the Economic Advisors who generally continue to b members of the conference. The Consultativ Committee of Economists appointed during th war and still in existence, is broadly representa tive of economic opinion and, reconstituted an reorientated, may serve as the kind of Brain Trust which the Governor had in view. Ther is thus no dearth of impartial and unbiassed eco nomic opinion in spite of the limited number c really first rate economists; the point is, wi the Governments take advice of even such body and consider economic questions on a economic plane?

CAPITAL'S CORRIDORS

C. Raghavan

Desai gains from Carter Gaffe • Street fighting among Congressmen • Concern about caucus • Patel on the economy • Coking coal imports

PRESIDENT CARTER'S three-day visit to India, as part of his six-nation tour, intended to shore up his own domestic image, has perhaps contributed to helping prime minister Morarji Desai politically at home. The Carter-Vance conversation (about the 'cold and blunt' language of the letter to be sent to Mr Desai from Washington), taped by a visiting pool correspondent and disclosed to the press showed that Mr Desai had been firm on the nuclear issue.

Following the considerable advance buildup for the visit, both from the American side and from the Indian side, the visit and its outcome in some respects proved an anti-climax, notwithstanding Mr Palkhivala's later description of it as a 'Santa Claus visit with largesses'. The only excitement of the trip came from the leakage of the Carter-Vance conversation.

India's position

Basing itself on some of Mr Desai's very early remarks (in March-April, 1977) and his foreswearing any need for peaceful nuclear explosions by India, the US side had hoped to rope him in, and either persuade him to sign the nuclear non-proliferation treaty or sign what is being called 'full scope safeguards" for inspection of all Indian nuclear installations and facilities and thus virtually accede to an NPT regime. That there was little scope for this ought to have been clear to the American side much earlier. Mr Desai publicly, and in parliament, had announced some months ago that India was against international inspection of indigenous Indian nuclear facilities and against signing away future Indian options. Considering he was one of the, if not the first cabinet minister in the Indira Gandhi government of 1968 to come out against the NPT idea then, this was not really surprising.

However, there had been a great deal of concern and doubt, amongst politicians and scientific community, fuelled partly by some of the woolly statements made by Mr Desai earlier and partly by the known viewpoints of some top-level official policymakers.

little effect

The Carter-Vance conversation showed that Mr Desai was "adamant" in his refusal to sign the NPT or agree to full scope safeguards. The subsequent attempt of Mr Carter to lessen the impact by announcing his decision to release the next shipment of enriched uranium for Tarapur or his offer of heavy water, produced little effect. The remarks of the visiting US senators, and particularly Mr Ribicoff, that the US congressional legislation would prevent shipments of fuel for Tarapur, unless India signed the NPT, served notice to India that it should not be taken in by Mr Carter's promise in his address to parliamentarians but must prepare itself to meet the contingency.

That the government is aware of this was made clear by Mr Desai in his talk with the US newsmen who accompanied Mr Carter, and later his talks with the US senators. However it was curious that one day after a summary of Mr Desai's talks with the senators had been officially put out by his office (and had been prominently published in the press), foreign office officials were trying to play it down. One of them was even questioning the authenticity of the published remarks until a newsman pointed out that it had been released officially.

In a sense, Mr Carter's public pronouncements, even before his arrival, about how he would be correcting India's earlier tilt to Moscow, had queered the pitch. Apart from Mr Desai, who did not take kindly to this, others involved in the visit had to make sure that they did not do or say anything that would attract objection from political opponents inside the country.

no new offer

The agreements signed about use of US satellite is in fact nothing new. The US had been offering that facility much before the emergency. The government of India at that time had not agreed as it meant not only receiving the photo information from the satellite but supplying to the US corresponding ground data information. The latter enables the cross-checking of the aerial survey. The Indian government under Mrs Gandhi had taken a different view of US offer on grounds of national security.

President Carter has evinced interest in aiding India in survey and harnessing of the water resources of the eastern region. (Mr Callaghan, prime minister of UK, who has followed Mr Carter has also evinced similar interest and promised aid). Both in terms of waters of the Brahmaputra and Ganges and the various tributaries now running to waste, and of hydroelectric power, there is a vast potential waiting to be harnessed. However what this Anglo-American interest in this field portends is being carefully weighed. One of the major achievements of the Indira Gandhi era, and particularly as a result of the 1971 Bangladesh war, has been the fact that after almost a quarter century, India was able to keep outside powers from poking their nose into the affairs of the subcontinent. India successfully enforced the doctrine of bilateralism. After the 1975 coup in Bangladesh, the latter has been trying to invoke outside elements in some way or other into its problems and disputes with India, whether it be Farakka or any other. At one time during the emergency, Mr Robert

McNamara of the World Bank had uggested and offered Bank resources and good offices for a solution, on the lines of he Bank involvement in the Indus water disputes between India and Pakistan. The government of India however did not favour the Bank's intervention despite the possible Bank imprimatur to the regime.

The advantages, in economic terms, of flow of international funds and assistance in harnessing the water and power potential in the eastern region has now to be balanced with the disadvantages of allowing outside powers to have a hand in the affairs of the subcontinent.

Before the Carter visit, the Health minister, Mr Raj Narain, is reported to have been keen to invite Peace Corps volunteers back into the country in furtherance of his rural health projects. Mr Morarji Desai himself reportedly was not in favour. The issue however did not figure in the talks in that Mr Carter did not raise it. Mr Raj Narain had his meeting with president Carter, and according to the briefing, explained to Mr Carter what India was doing in the way of family planning. Why Mr Raj Narain felt impelled to explain things to the US president is not clear. Mr Raj Narain also presented Mr Carter with a copy of the Allahabad judgement on his election petition against Mrs Indira Gandhi.

The Finance minister, Mr H.M. Patel, who also called on Mr Carter explained to him India's policy towards foreign investments and also spoke of Indian attempts to increase its exports to the US. However it has to be noted that there is growing protectionist sentiment in the US. Whatever the views of US presidents—and they have been all in the post-war period against protectionism—it is the congressional view that has prevailed. The US Congress and Congressmen have been sensitive to local constituency sentiments in favour of industries and trades hurt by imports.

* *

The factional fight inside the Janata was sought to be sorted out in two of the states by asking the Madhya Pradesh legislature party to elect a new leader and asking the chief minister of Himachal Pradesh to seek a vote of confidence. But the new leaders, it was decided, should be legislators. The party's national executive is meeting later this month in Bangalore when it is expected to take stock of the situation following the split in the Congress.

After the split in the Congress was formalised at the convention called by Mrs Gandhi and her supporters, the two factions have been busy expelling each other, with each claiming to represent the real Congress. There have also been the fights for capturing office premises and so on around the country. In New Delhi the Congress party headquarters has armed policemen swarming around to prevent the Indira group from taking over and ousting the Reddi-Chavan group from the official premises of the Indian National Congress. The news and reports of the infighting and expulsions from various centres continue to occupy a lot of newspaper space, and the reportage in the news columns, by and large, make clear that the sympathies of the press lie with Reddi-Chavan group.

confused situation

However the situation at present is far too confused. While many of the leaders and prominent personalities who have been siding with Mrs Gandhi during the last few months, have not gone with her in the split but have stayed with the Reddi-Chavan faction, the actual outcome will be decided by the rank and file of Congress workers and middle level organisation men. Perhaps it will take some weeks for the dust to settle down before one has a clear picture of the two rival factions and their support. Much will depend on the outcome of the elections in Andhra Pradesh, Karnataka and Maharashtra. If the Janata does poorly and the Reddi-Chavan Congress does well, it may even result in the regrouping of forces involving the Janata and this faction of the Congress. Again if the Janata does poorly, and if Indira Congress does better than Reddi-Chavan section, a number of Congress workers in the north will jump on the Indira bandwagon. Many sober Janata leaders are feeling that ultimately they would have to reckon with Mrs Gandhi and that sizeable chunks of the Congress party workers may be going along with her particularly if she launches an agitational approach. Th might well involve difficulties in evolvin a national consensus in tackling many c the urgent problems and ills of th country.

Mrs Gandhi's assumptions

Mrs Gandhi and her supporters appea to be proceeding on the basis that ther is disillusionment and discontent with th Janata that could be exploited and tha this will make her and her party a forc that has to be taken into account in an attempt at nationel consensus or nationa government. While the Shah Commission which is taking up the second stage o the inquiry, is likely to do further damag to Mrs Gandhi's reputation and influenc urban middle class opinions, she als appears to be banking on the fact tha some of the economic problems and th government's failure to solve them wi bring some urban sections back to her The government's proposed move to empower the centre and states to declar industries and services as 'essential services' and ban strikes and lockouts Mrs Gandhi's supporters believe, wi alienate urban white collar workers an industrial labour from the Janata and it trade union organisations.

However, even the supporters of Mr Gandhi are aware of and expressing concern at the talk that the 'caucus'—an euphemism to describe some around her lik Messrs Sanjay Gandhi, R.K. Dhawan Yashpal Kapur and Bansilal—is still aroun her and manipulating her. At the convention, Mrs Gandhi showed awareness of thi and said she would not repeat her mistakes, and would not allow those agains whom there was public resentment an anger—whether justified or not—to com to the fore again.

The fact that there should be concer about the 'caucus' around Mrs Indir Gandhi and her giving an assurance mus sound astonishing to many considering that Mrs Gandhi is not in power an given the normal functioning of the polit cal system she cannot even make a bi for it until the next general election t the Lok Sabha in 1982. But if the talk c a 'caucus' is raised by her opponents as bogey to beat her, Mrs Gandhi is als finding it difficult, despite such talk, t ry credibility. However a plus point in favour, and one that she is using, is fact that those who are now vehement denouncing her for the caucus were the y persons who, long before the emer- ncy, had cultivated her son Sanjay or vate secretary Dhawan in order to gain ear and confidence, and during the ergency took their orders from them. Her ponents hence are unable to carry any dibility either with the anti-emergency ellectual, professional middle classes.

There has been fairly widespread k in parliament lobbies about a possi- coming together of the Reddi-Chavan oup of the Congress with sections of Janata—formally or informally—and hope that this might lead to some of em sharing power at the centre. This esently affects the credibility of the ddi-Chavan Congress as an opposition rty. The viewpoints of parliamentarians majority of whom are behind Mr avan) and middle level workers in the ld in such a situation might differ.

All this has contributed to 1978 opening a somewhat confusing political climate, mestically.

* *

Conceding at a press conference here st week that there was sluggishness in e economy, the minister for Finance, r H.M. Patel, pointed out that it had t set in only after the coming into wer of the Janata government but had en there even earlier. He did not think t the high interest rates of bank credit re a contributory factor to this pheno- non. These rates, he stressed, had en brought down to some extent by the ata government. The phenomenon, he ded, might have been due partly to certainty in the minds of industrialists out the government policies and partly some shortfalls in Plan expenditure this r. He hoped that the situation would prove soon.

he sluggishness in the economy, of rse, has helped in containing the rate xpansion in the money supply with public, despite the budgetary deficit at centre expected to go up substantially n the original estimate. The increase he budgetary deficit of the centre will lt from various factors, which include increased assistance to state governments to meet their deficits which had been caused by the spending spree of the previous Congress regimes there, nearly Rs 150 crores unforeseen expenditure on account of the cyclone havoc in the southern states, adjustments in excise duties, particularly in the case of sugar, necessitated by the prevailing circumstances, etc.

state overdrafts

Mr Patel, however, expressed satisfaction over the fact that the position in regard to states overdrafts was much better now than it was a few months ago. This was partly due to the assistance provided by the centre and partly owing to the efforts of the state governments themselves at mobilising additional resources.

Referring to the price situation, Mr Patel pointed out that the rate of inflation in India during the current year had been significantly lower than in most other countries; it had been only of the order of about four per cent so far. While he admitted that there might have been some increase in the prices of a few commodities, the availability of all essential consumer goods, except pulses, had been very comfortable and the prices of these articles had shown stabilising trends. In view of the comfortable supply position of essential consumer goods, he stressed there was no reason for any rise in their prices. Mr Patel, of course, expressed dissatisfaction at the decline in the open market prices of sugar. This decline, he said, had not been commensurate with the adjustments made in the excise duties, both on the levy and free-sale sugar, the primary purpose of which was to bring down the open market prices to Rs 3.90 per kg.

Mr Patel reiterated that the government's policy in regard to foreign investments would be selective, as enunciated in the statement on industrial policy made by the minister for Industry, Mr George Fernandes, in parliament on December 23. He did not consider the high level of foreign exchange reserves embarassing, but emphasised that care had to be taken about their potential inflationary impact. These reserves, he added, had given the government a good deal of flexibility in its import policies.

Referring to the deliberations in the meeting of the consultative committee of parliament attached to the ministry of Finance, Mr Patel stated that the prominent issues which came up for discussion at the meeting included import of gold, replacement of sales tax by additional excise duties, abolition of octroi, the recent strike by the bank employees and import of ships from Britain. Since the meeting, he added, had been called for inviting suggestions from the members of parliament in regard to the next year's budget, the taxation policy too figured significantly in the committees deliberations.

replacing sales tax

In regard to replacement of sales tax by additional excise duties, Mr Patel told the members of the consultative committee that the state chief ministers had shown reluctance on their part to go in for this replacement, because sales tax, according to them, was the only elastic source of revenue for the states. He however, assured that he would continue to persuade them for this replacement and it might be possible to take a decision in the case of some commodities in the near future. The total collections of sales tax in the country, he added, approximated Rs 2,500 crores. He had indicated to the state governments that the natural growth in their revenues from sales tax could be ensured by the centre out of the proceeds of the additional excise duties, but even then there appeared to be some reservations on the part of the chief ministers in regard to the proposal.

About the abolition of octroi, however, the state chief ministers, Mr Patel observed, had shown a greater measure of agreement, provided, of course, the centre could compensate them for the loss of revenue, which according to the current estimates would be of the order of Rs 250 crores.

Referring to the discussion on the import of gold as a measure to discourage smuggling, the opinion amongst the members of the consultative committee, Mr Patel said, was divided. While some stressed that these imports could be allowed in view of the impressive foreign exchange reserves of the country, some others expressed themselves against the proposal.

bank strike

In regard to the recent strike of bank employees, Mr Patel made it clear that the government would not relent from its present position under duress. It did not propose to enter into any wage rise negotiations with bank employees or any other section until it had received and studied the report of the Bhoothalingam committee on national wage, incomes and prices policy due some time in March. Several members of the committee, he said, had expressed their resentment at the strike of the bank employees, which had caused inconvenience to the public. If the bank employees persisted with their go-slow tactics, the government, he said, would have to take such measures as declaring the banking industry an essential service. (The go-slow tactics, as also the strike next week, however, have been abandoned by the bank employees following reference of their grievances for conciliation through the good offices of the minister for Labour, Mr Ravindra Varma.)

Explaining the purchases of ships from Britain, Mr Patel stated that since they were against British aid in the form of grant, even a slightly higher price did not matter much. The grant was tied to purchases in Britain. The government of India, however, had been able to persuade Britain to lower the prices of these ships from the original quotations. Efforts were also being made to get part of the British assistance untied.

Several members of the consultative committee suggested scaling down of both direct and indirect taxes, particularly the latter. It was explained to them that there was no escape from indirect taxes in a developing economy because of the narrow direct taxation base.

* *

The Steel Authority of India (SAIL) has been authorised to import coking coal with low ash content. It is expected to invite global tenders soon in this regard. The imports of coking coal have been allowed for the first time with two primary objectives in view. First, the ash content of our own coking coal has been going up in the recent years and currently it varies from 23 to 28 per cent, as against the desired level of 17 per cent. The imports of coking coal with low ash content will go a significant way in improving the production of our integrated steelworks. The second reason guiding the decision is that our coking coal reserves are estimated to last at the current rate of production or slightly higher than that for no more than 45 years. Imports, therefore, will help in conserving the exploitable coking coal reserves within the country. The impressive rise in our foreign exchange reserves during the past two years, it is felt, can legitimately be utilised to some extent for meeting the coking coal requirements of the steel industry in the long-term interest of the economy, especially when due to world recession, the international prices of coking coal have gone down significantly.

After detailed discussions with the chairman of SAIL and chief executives of the integrated steelworks last week, the minister for Steel and Mines, Mr Biju Patnaik, has set the production target for the next financial year for the integrated steel plants at 10 million tonnes ingots, which will mean an increase of about 1.3 million tonnes over the expected out from these units during the current ye The production this year may not co up fully to expectations because of t constraints, namely, the deteriorat quality of coking coal and the frequ cuts/interruptions in power supply. Wh imports of coking coal will take care the former, it has been suggested to steel plants that the latter constraint c be overcome through staggering the wo ing of the mills so as to make the op mum utilisation of the available pov supplies. It is, however, hoped that power position will improve by Ma next.

Mr Patnaik has called upon the ch executives of the public sector steel mar facturing units to lay greater empha on improving the quality of steel and the production of such items as neobiu steel, high tensile steel, stainless steel a other special steels, which not only ha greater added value but also comma a good market. He also stressed on the the need for minimising the producti costs. It has been indicated that with t restructuring of the steel industry a SAIL, they will have to depend for the future modernisation and expansion pla on their internal resources. Budgeta support will not be provided to the indu try except for the current expansion the Bhilai and Bokaro steelworks.

RECORDS AND STATISTICS

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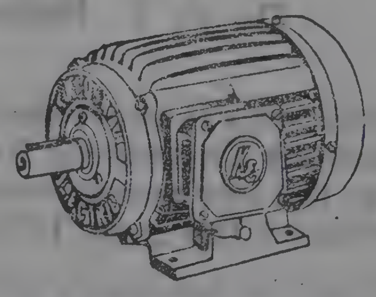

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Ohlin and Meade : Nobel laureates of Economics

Dr V. T. Naidu

The author who is professor of Rural Development, Sri Venkateswara University, Anantapur (AP), discusses the contribution made by the two economists who were awarded Nobel Prize in Economics for the year 1977.

THE NOBEL Prize in Economics for the year 1977 has been awarded jointly to Professors Bertil Ohlin of Sweden and James E. Meade of Britain. Both are well known for their significant contributions to International Economics.

Bertil Ohlin was educated at the Universities of Kund and Stockholm and Harvard University. Among other appointments, he has been professor of Economics at the University of Stockholm and visiting professor at the University of California, Berkeley and the Virginia University. He takes an active part in Sweden's public life. Apart from being the minister of Trade in Sweden's 1944-45 coalition government, he was also the leader of the Liberal party from 1944 to 1967. He has been a member of the Council of Europe and chairman of the ILO committee which published a report in 1956 on 'Social Aspects of European Economic Cooperation'.

classic work

Ohlin's classic work, "Interregional and International Trade," was published in 1933. The theories propounded by Ohlin are keenly discussed by contemporary economists. His work has revolutionised the theory of trade, by freeing it from the bonds of the classical labour theory of value and integrating it to general price theory. Prof Ohlin has also explained hitherto neglected influences of location and space on pricing and trade.

Different goods, he states, require different factor inputs; and different countries have different factor endowments. Given identical production functions, but different factor endowments between countries, a country will tend to export the commodity that is relatively (to the other commodity) intensive in its relatively (to the other country) abundant factor.

Another significant contribution of his study is contained in the idea suggested by Eli Heckscher and developed by Ohlin that, within certain limits, commodity trade is a substitute for migrations of factors of production, and that, as a result, trade tends to equalise the returns to these factors, despite their immobility. By importing goods which are intensive in the factor which is scarce in a region reduces the relative scarcity of the factor vis-a-vis the abundant factor. The demand and consequently price of the abundant factor goes up as the region exports goods requiring the abundant factor. In the other region also, the same process will be at work and thus the relative scarcity of the productive factors is reduced in each of the trading regions. This approach —which has been carried forward, developed and qualified by Samuelson, Leontief and Travis—is an essential aspect of modern International Trade Theory.

POINT OF VIEW

It is no wonder that Ohlin's studies are regarded by C.R. Whittlesy as "of commanding importance" and by John Donaldson as an "extremely interesting, an outstanding contribution".

The most celebrated test of Ohlin's theory was the one conducted by Prof Leontief. His findings, however, did not lend support to Ohlin's theory. It is observed by Leontief that the United States exports commodities that use only $13,991 of capital per man-year of labour, while importing commodities that require $18,184 of capital per man-year. The US is generally believed to be the most capital abundant country and it is found to impo commodities requiring more of its abu dant resource—a result contrary to t prediction of Ohlin's theory. Leonti explains this paradox by saying that t productivity of an American worker three times as high as that of his counte parts in other countries, so that "in tern of the relative production possibilities US and abroad, the US is rich in ma power and poor in capital".

Leontief type tests have been conducte for a number of countries. A. Bharasw found that India tends to export labou intensive and import capital intensi commodities. However, in trading wit the US; the most capital abundant cou try, India is found to export capital inte sive commodities to the US while impor ing labour-intensive commodities in retur The evidence from other studies is als not conclusive—some results are in co formity and some in conflict with th prediction of Ohlin's theory. This co flicting evidence is not sufficient to justif the discard of Ohlin's theory. There enough truth in the basic theory for it t serve as a basis for the analysis of inter national trade problems.

Meade's contribution

Professor Meade is an Honorary Fello of Christ's College, Cambridge, afte having been Professor of Political Econo my and then a senior Research Fellow o the college. Before the war he was Fellow of Hertford College, Oxford, an an official of the League of Nations. Late he became the director of the Economi section of the cabinet secretariat and Professor of Commerce at the Londo School of Economics.

Professor Meade is the author of numerous articles and books on economic theory, policy, economic growth and international trade. As regards his contributions to international trade theory, he is both a tool-maker and a tool-user. In his "Geometry of International Trade," published in 1952, he developed the tools for use in the analysis of international trade problems. His "Theory of Customs Union", published in 1955, is a policy oriented work. His "Theory of International Economic Policy" is another notable work. His three volumes on "Principles of Political Economy"—the Stationery Economy, the Growing Economy and the Controlled Economy—are designed to put into a general conspectus the major advances of economic analysis in recent years. As a sequel to his "Planning and the Price Mechanism", Prof Meade wrote another book recently under the title, "The Intelligent Radical's Guide to Economic Policy—The Mixed Economy."

Professor Meade sees his 'radical' as the citizen who puts liberty and equality high on the list of social and economic priorities. A basic reform which the intelligent radical will support is the restoration and development of the free market mechanism wherever it is possible to ensure workable competitive conditions. But Professor Meade is not oblivious of the limitations of the free enterprise system. He recognises that on the foundation of the market mechanism there must be built a superstructure of governmenta intervention and controls. His 'intelligen radical' is a pragmatist; the radical argue the virtues of the free market when th tendency is to think only of the need fo particular state interventions and h stresses the need for social interventio when *laissez faire* becomes a dogma. Prof Meade draws our attention to the statement of Winston Churchil that democracy is the worst possible form of government except the others and by analogy Prof Meade says that the price mechanism is the worst possible form of economic system except the others.

Octroi : an outmoded and obstructive levy

K. Meenakshisundaram

The author gives a breakdown of the loss that the nation incurs with the levy of this outmoded tax and compares it with the revenue collected from this source which he reckons at 3:1. He believes that abolition of octroi will promote business and end a source of corruption.

YET ANOTHER committee, this time the Jha Committee on Indirect Taxation, has recommended the substitution of octroi by a suitable levy. But octroi continues. The excuse that octroi is a state subject or that local bodies need more resources is not convincing. Octroi is a living example of delay perpetuating and compounding an injustice. Every day octroi continues, it makes the new government's professions against corruption sound hypocritical.

local tax

Octroi is a local tax levied on goods brought into a municipal area for consumption, use or sale therein. It owes its origin to the pre-automobile era of leisurely travel, low speed and limited trade and exchange. Its method of assessement, levy and collection inevitably deny the community the special advantage of road transport which is speed. Studies of Keskar committee disclosed that the detention time on several routes ranged from 20 to 50 per cent of the transit time. Considering that several municipalities in a state levy octroi, the total number of halts obstructing the flow of the road traffic is high. Thus cumulative detention leads to under-utilisation of commercial vehicles around 35 per cent of the truck hours.

The octroi checkpost is manned by one clerk and one chowkidar, although in big cities more personnel are employed. The checkpost is normally sited on the road. There are no bays even at Mulund octroi checkpost in Bombay. Nor is labour available for loading and unloading. Still the clerk and chowkidar are entrusted with the authority to levy and collect this duty. Where there is a full truckload of a single good, perhaps it will take 15 minutes. But when a truck carries goods for several censignees as many as 150 to 200 and many destined for different destinations, it is really a big task both for the driver and the checkpost clerk. If he sets out to assess the levy sincerely he may like to demand inspection of each parcel for unloading of which usually no facilities are available at the checkposts. Even where facilities are available it would cost considerable money and time.

This precisely is the problem of octroi. It clothes the octroi staff with discretionary powers, which in practice can amount to an option to cause costly delays and harassments. Administered sincerely or otherwise it is costly to collect and difficult to avoid leakages.

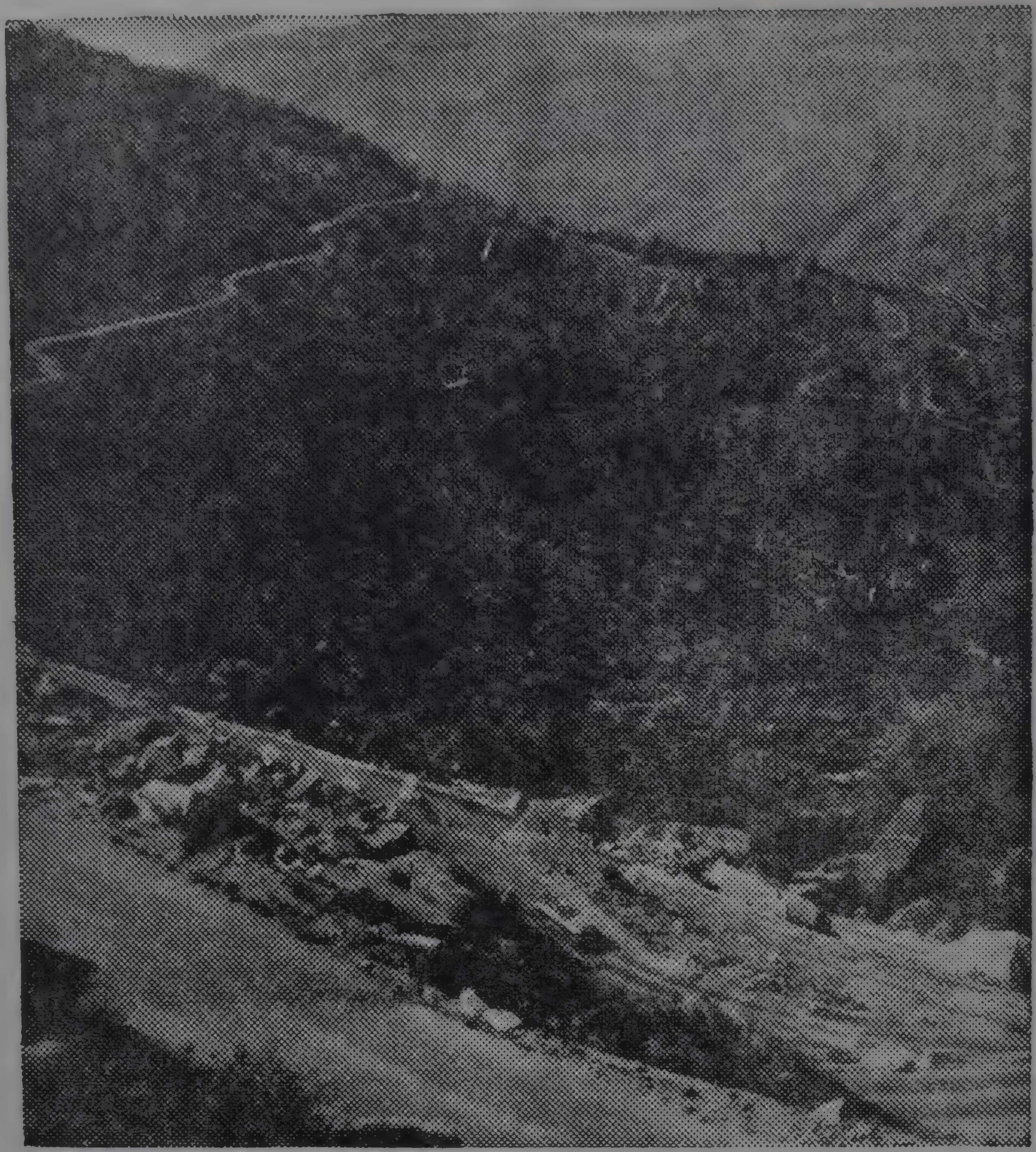
In the past, many municipalities adopted the system of refunds. The octroi duty was paid at the entry into the municipal area which was refunded at the exit point. Later on municipalities charged escort or transit fee. (There were also municipalities which charged escort fees without providing escorts.)

class of middlemen

The octroi has given birth to a new class of middlemen, the octroi agents. These agents pay the full octroi duty levied; obtain refunds of the duty paid on behalf of the carriers and charge the latter one per cent commission. These agents definitely possess skills and do render a service. But how far these add to the national product is debatable.

The existence of corrupt practices at the lowest level in the local administration on account of this levy has been proved by the reports of several committees. One such report says:

"The undesirable features of Octroi are firstly, that *its incidence is regressive and falls mainly on necessaries of life* like articles of food etc.; secondly, the administration of the tax is very cumbersome and vexatious, as numerous barriers have to be erected for collecting the tax at the points of entry and a very complicated procedure of refunds has also to be followed; thirdly, the *octroi system gives wide discretionary powers to low paid staff which leads*



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to corrupt practices; and fourthly, it is expensive to collect and hence wasteful. It also constitutes a restriction on through trade. The national economy should be safeguarded as an entity by facilitating the smooth flow of trade and commerce among states and also among different parts of the same state and preventing the raising of bottlenecks through local government regulations. Octroi is certainly an undesirable tax from this point of view...." (Emphasis mine).

This committee recommended the gradual replacement of octroi by a turnover tax or by a surcharge on sales tax. Having been composed of ministers of local self-government this committee must have appreciated the problems and potentialities of local bodies in a constructive spirit.

The committee on transport policy and co-ordination in its final report categorically stated that octroi duties should be abolished, having regard to "the inhibitory nature of octroi duties and the abuses to which they are prone." The Keskar committee described octroi as "a fertile source of corrupt practices." The study group on octroi in Maharashtra under the chairmanship of Mr S. K. Wankhede, observed that octroi "inevitably leads to corrupt practices."

When the octroi collection staff of the Bombay Municipal Corporation went on a strike a few years ago, the Home Guards were asked to man the checkposts. It was then reported that the octroi revenues spurted by a few lakhs of rupees everyday when substitute staff were working.

Two dominant facts about octroi are (1) the inevitable detention of commercial vehicles, and (2) the rampant corruption that coexists with octroi. But even if octroi were to be administered by angels its replacement would still be justified by other economic reasons.

Octroi inhibits the growth of the local economy in general, the industrialisation and road transport in particular. Its deleterious effects on rural economy were described as "far too obvious" by the Wankhede study group. Levy of octroi on movement of agricultural products by the local bodies takes away a large slice of income of the cultivators. Thus octroi tilts the terms of trade against agriculture. The effect of octroi on industry is "equally harmful." Do not efficient local bodies in Tamil Nadu, Kerala, Andhra Pradesh and Madhya Pradesh manage without octroi?

The Final Tally of Octroi

GAINS	(Rs crores)	LOSSES	(Rs crores)
(1) Octroi revenue	250.00	(1) On occount of octroi detentions the value of traffic not generated	324.00
Less			
(2) Costs of collection at 5% Rs 12.5 crores		(2) Tax revenues that would have accrued at 30 per cent of (1) above	97.20
(3) Net octroi revenue (1)—(2) above	237.50	(3) Leakages in revenue (shown here as 40 per cent of the estimated figure of Rs 725 crores, mid-point between 500 and 950 crores)	290.00
			711.20

To collect Rs 250 crores of octroi rev nue the net burden on the community estimated to range from Rs 500 to 9 crores! In the absence of octroi th turnround time of the nation's comme cial vehicles will be reduced. The aggr gate detention time in octroi checkpost is substantial. In the absence of octr there will be a minimum of 20 per cen more traffic output. Our present good vehicle population is 500,000. Let us ex clude 10 per cent from the total represen ting those remaining off the road for re pairs etc. Of the remainder 4,50,000, let u assume only a third, i.e. 1,50,000 operat in octroi levying states. Consequentl their traffic output is less by at least 2 per cent of annual distance (i.e. 72,00 kms per truck) covered. Abolition o octroi will generate additional traffi output which will be equivalent to 216 million kms. Each vehicle km can earn Rs 1.50.

heavy loss

The proportion of octroi gains to production, tax and other losses is approximately 1:3. To gain one rupee from octroi the economy loses three rupees. The loss is imposed on socially preferred areas. By substituting octroi by any other levy, detentions of trucks would be avoided. We would be adding to the economy Rs 421 crores (Items 1 & 2 in loss in table alongside) as against Rs 237.50 crores now accruing to the local bodies. Relatively there will be far too less leakages. Generally a policy change with this high cost benefit ratio merits unqualified support.

Let each state select any of the alternatives suggested by the Keskar committee. They are: (1) Surcharge on sales tax or additional sales tax; (2) (a) municipal sales tax; (b) municipal surcharge or sales tax ; (3) municipal turnover tax; and (4) other complimentary levies for equitable distribution of tax burden. Any of these separately or in combination with another will do. Central subsidies could be judiciously extended. The central government can set an example by abolishing octroi in all union territories immediately. Well-thought-out fiscal reform, not pious statements, will remove regressive levies and cleanse the administration of corruption.

Pedestrapolis—future city

C. Suriyakumaran

The author who is a director of the United Nations Environment Programme regional office, and a regional representative for Asia and the Pacific takes the reader to a guided tour of a future city—a city which was a part of the home and where the traffic no more obstructed the people or the people the traffic.

This could perhaps be any city. It cer-ainly was one of the future, as seen in 990 and written about shortly thereafter. Pedestrapolis may not in fact be a descrip-ive term for what was achieved there or for what it was about; and what it has become, from a former congested, confused and traffic-laden melee, aware of its ever increasing problems but hitherto circumventing rather than overcoming hem. It was now a city where people—all he people—in fact moved as they willed; where the city became very much part of the home—of the children, the housewives, the work people and the old; and where traffic no more obstructed the people or the people the traffic! It was also a city of the present, in fact what many more like it could have already become.

The following is simply the result of a compulsion to record the experience and, with it, the relative simplicity of the analyses and the prescriptions that were used. Just now, it would appear surprising that it had not come to pass earlier. Perhaps what has been achieved was simple because, also, it was so fundamental; with efforts in the past all the time looking for non fundamentalist—and complex—solutions.

the revolution

Basically, the revolution in Pedestrapolis was one in mode and means of transportation- from the homes, to the schools, to the offices, the shops, the various other institutions and back to the homes. It was thus a city of people who moved around without motorcars of their own; these were in their own homes and as to how they were used we shall come to in a little while. There were no parked cars to overshadow and no metal curtains of traffic jams.

The first impressions of Pedestrapolis were both conventional and exhilarating. The city looks basically like any other, it was historically so in any case. One is told there was some physical re-planning, in particular of through and circular sub-roads among residential zones. There was also a notable presence of 'walkways' in shopping areas (the Scandinavian pedestrade) and more routine shopping centres nestled within the residential zones. Particularly visible was the sense of space in the roads and public places. What one saw were lines of public transport vehicles moving with ease—both for themselves and for commuters—along the two kerbsides of the roads, with the rest free of vehicles except for a fair number of bicycles.

supreme purpose

The public transport vehicles themselves varied from the large coaches on the main roads, to very small but smooth and fairly silent three wheelers, or equivalent four wheelers, on the residential lanes, all of them with no visible emission of smoke. The ease and freedom of use by citizens seemed the supreme purpose every time. A striking innovation on the public highways was a system of escalators up to overhead pedestrian crossings, with only steps down at the other end, well covered from point to point and starting at each point from spacious public shelters which were commuter halts. (see Diagram I). One could not help getting the feeling of a city which was very much linked to the home and in which people shared the city and its public places with fullness. There was of course much more to all this than the slightly photographic impression. An examination of this yielded rewarding insights.

Like many cities, Pedestrapolis was faced with the situation of sheer numbers of vehicles. Solutions based on widening and adding urban roadways had not helped, perhaps only adding another Parkinsonian principle, of as many vehicles as there are roads to fill into. The vehicle population of Pedestrapolis and its annual rate of increase showed beyond doubt, some years earlier, the arithmetical impossibility of contemplating any reasonable city life under the existing system. A basic decision seems then to have been taken, to start from first principles—on what the private (and other) vehicles exist for, on recognising the people to mean the entire people and not a small segment, and on the economic and social needs of the city as a city.[1]

positive need

A corollary policy; decided upon from the outset, was that success should be measured only by meeting all the reasons the private vehicle owner would have had for using his vehicle and not by pretending to overlook them. In other words, it was clearly recognised that the private owner does not take his vehicle out to inconvenience others (even he considers it an unavoidable nuisance in many cities today) but because there were positively certain needs emanating from a home—represented by a child, a housewife and the worker —for which, in the past, public systems were just not there. Thus, the aim in the reformation was not to bring down the facilities based on real need for the group of private owners, but to maintain, by alternative means and modes, the essence of all these facilities and simultaneously to extend the same to the rest of the population. It was essentially a new city image. It was considered that a typical set of facilities enjoyed by private vehicle users, and legitimately so, included ability to step from home into vehicle without submission to delay or weather; and similarly to get to the point of 'service' (school, office or shop). These were to be ensured and if there was discontinuity in travel between the two end points, the level of convenience, in terms of time or weather or accommodation, was also to be assured.

Today, the translation of these basic principles in Pedestrapolis, notwithstanding some improvements still to be effected, has become both a success and almost surely a solution to the future elsewhere.

The mechanics of the system—we shall also briefly refer to its economics later—is somewhat as follows. All residential sites, and these are not only the affluent areas, have been improved for attainment of a fairly interlinked lane network within each localised area, from which as a whole one or more sub-roads lead to the commuter halts on the highway. In some places, particularly in the area between the highway and the coast, with its parallel residential lanes, the task has been much easier and the results exemplary. From a central base in each of these zones, a required number of mini-vehicles operate at very frequent intervals, for boarding at will, either by hailing, or advance telephoning where homes have telephones, or by switching a blue light at the gateway to the road, for the mini-vehicle to see and stop. These vehicles could normally carry three or four persons with normal luggage kept on the floor. If more space is required for special purposes including, for example, direct commuting to the airport, a suitable vehicle could be noticed, if necessary also by conveying the message through any passing mini-vehicle.

For normal commuter needs, the mini-vehicle would proceed to the covered commuter halts mentioned earlier, beside which the public coaches arrive and also from which the escalator facilitates crossing over to the commuter halt for coaches travelling in the opposite direction. A basically similar system operates at the arrival point, with smaller feeder or distributory vehicles commuting into the shops and work places etc.; or, on the return, within the lanes in each residential zone.

Within each localized area, the mini-vehicular movement is broadly anti-clockwise, with vehicles here using the left lane. In other words, the focus of movement inside each localized area is essentially towards the covered commuter halt on the highway. All intra-area vehicular movement, is either down the sub-roads from the highway focal point or is up these roads, ultimately turning left to the focal point. A simplified illustration, notwithstanding variations, of this general pattern is given in Diagram II.

The management and economics of both the transition to the present system and its operation were highly fascinating and original. First on the management. It was found that, given the present and projected population of the city, and allowing for the existing and planned capacity of the suburban rail system, the existing stock and trend increase in public buses plus the private cars and taxis just about met the commuter demands. However, before proceeding further, it was firmly decided that no commuter shall for his daily purposes have to be overcrowded or

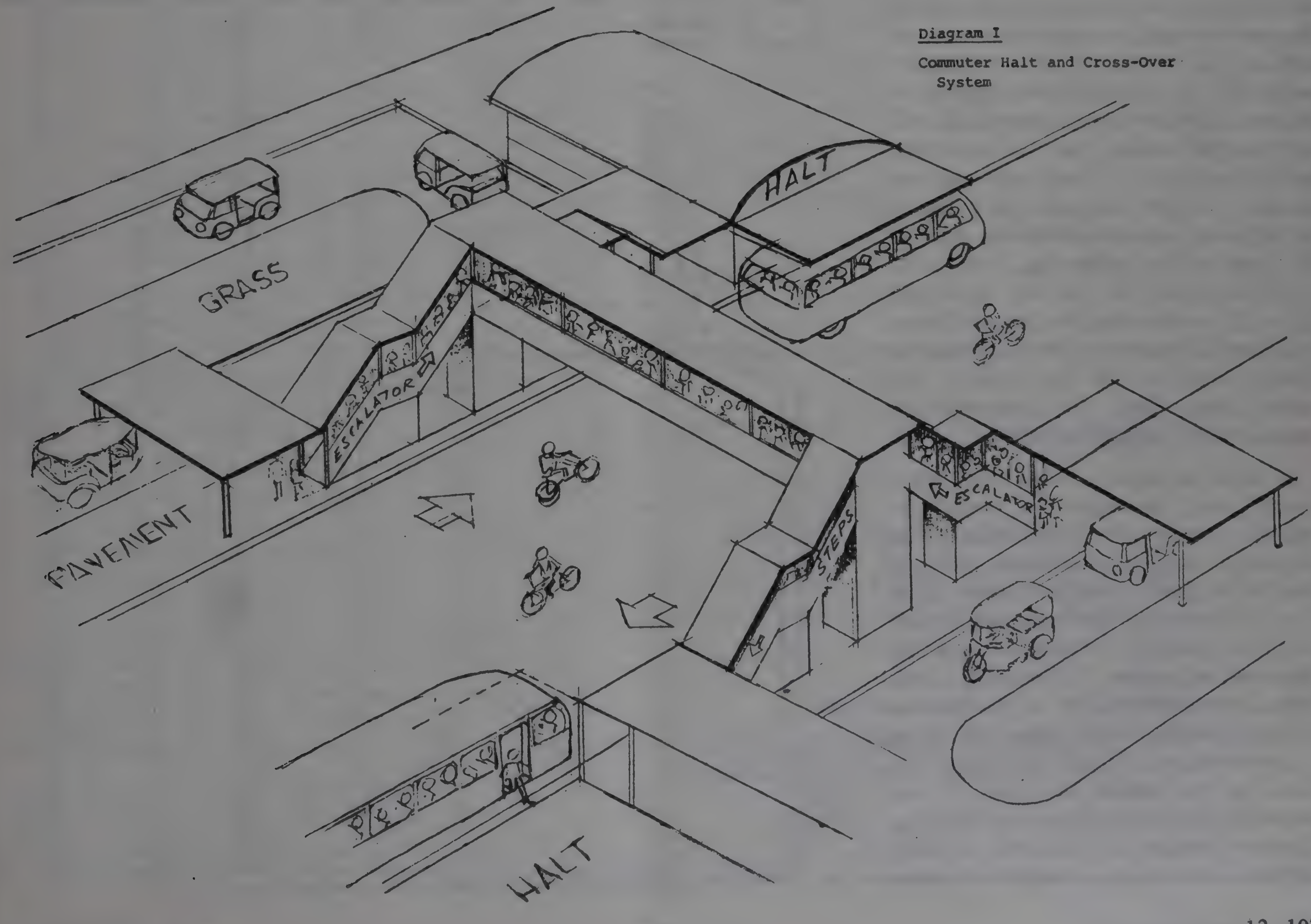


Diagram I

Commuter Halt and Cross-Over System

to stand in a public bus. On these data bases, the initial estimates were made of total number of required buses. Very broadly, the estimated figure was raised by 20 per cent to provide seats at all times to commuters;[2] and was raised by one twentyfifth of the total figure for private vehicles and taxis, on the basis of a two passenger average use for cars and 48 to 52 passenger capacity in the buses. The actual number of buses on the roads at any given time was of course related to the peak and non-peak hours of traffic. Trucks—and any private cars that still wished it—were confined to the 'trough' period, from 8 p.m. to 7 a.m. within the city.

initial impact

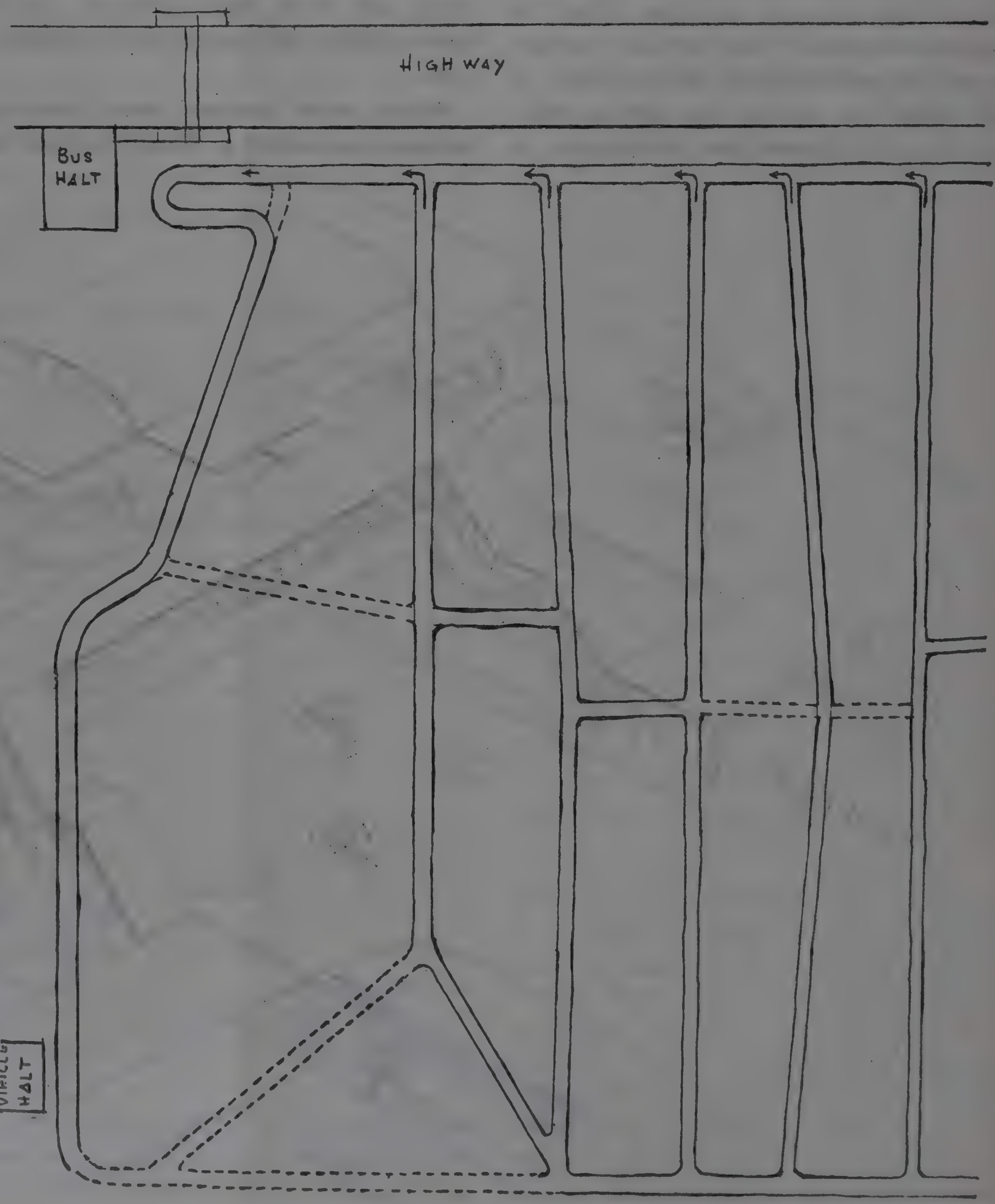
On these bases for the transformation, the public bus system indeed more than doubled virtually overnight, from about 3,000 units to over 7,000. Even netting for maintenance and repairs margins, this meant an urban scene which again provided one of the initial impacts to the visitor. The roads carried a continuous line, on each of the sides, of buses picking up people with an ease that was pleasant to the eyes of the foreign commuter. To add to the overall comfort, one in ten of the buses on average for most highways was an airconditioned bus; and in a few of the highways reintroduction was seen of the silent electric trolley bus. The levels of fares are relatively low, the equivalent of five US cents within the localised areas and ten US cents on the highways for adults, with half fare for children and infants being free. The airconditioned buses simply charged double fare.

It would be already noticed that there was a social agreement in principle to allocate energy here—for innumerable escalators leading to overhead crossings and for the trolleys leading to more quiet —as a deliberate policy in the competition for this resource. It was also seen that there was no system of restricted zones, with cars being driven up to a perimeter of the city centre, since it was felt to be a contradiction in principle. As was noted at the outset, the essential convenience available to private motorists or taxi users should be simulated, in which also exposure to vagaries of weather constituted a contradiction. Walkways or pedestrades, however, were favoured in specific locations and in fact a few more were being planned.

Naturally not all travel from embarkation point to destination is by a single public bus. Quite a few routes involved linkages. Maximum smoothness and coupling arrangements obtained in this as well. Basically, the arrangement was one of alighting on to the covered shelter and walking across to the linkage point (if the travel continued in the same direction) or taking an overhead crossing to the appropriate shelter (if the linkage travel was in the opposite direction). It is worth repeating that buses were available almost 'immediately'. Major destinations, which means also conversely major embarkatio points, had bus stations of varying size with facilities for rest, refreshment and in some instances, for marketing an shopping.

The stock of private cars has no become superfluous for daily commutin and a policy has been established for th uses to which their owners may now pu them. As mentioned, the roads are ope to car traffic from 8 pm. to 7 am. I addition, private cars could be used fo out-station travel, for example, on week ends, holidays and the like. Departur before 7 a.m. or arrival after 8 p.m. i encouraged. Strict traffic checks obtai within the city for cars travelling outstation after 7 a.m. or before 8 p.m., t

Diagram II : Residential Zone — Feeder Traffic to Commuter Halt



avoid abuse. It will be noticed that the old taxis are not part of the highway transport system in the city; nor generally within each localized area on the sub-roads and lanes, for which there are the special mini-vehicles. It appears that one reason was, for the time being, to prevent private car owners from using the roads as converted taxis!

Bicycles are freely allowed on the highways and elsewhere. For the time being, motorcycles have been heavily discouraged within the local areas and barred from the highways. Special delivery vans, of say perishables to groceries and so on, were allowed in limited numbers under licence (for use and by hours).

enormous challenge

The economics of the transformation on the face of it was an enormous challenge and more so since the city was in a developing country. Two basic principles seem to have been used in approaching and overcoming this problem. They derived from the fact that a financing of additional bus capacity could be related to the motorcar capacity, in which the capital cost of all motorcars was demonstrably financed historically by local income earners; and that the foreign exchange cost, where cars were imported or raw material or components were got down for manufacture or assembly, was similarly a demonstrated capacity. A first step, therefore, on the eve of the transformation was to halt all new car purchases, without prejudice to such purchase some years afterwards or without prejudice to a particular income earner financing a car for himself, but subject to a prior commitment to the cost of a car being contributed to the central governmental fund for public transport. All existing car owners were therefore required to contribute, as repayable capital contribution to this fund, full replacement cost if their existing vehicles were five years or more and at a downward graded percentage for newer cars, up to a floor level of half the cost, depending on how recently the income earner had to incur the expense of buying his car.

There were, obviously, visible initial gaps in meeting the full needs, in local currency or foreign exchange, but it was held that, over a limited lead period, the resource situation both for the householders and for the economy would even out.[3] To reinforce this, the government gave added fillip to the existing motor bus, coach-work and component manufacturing plant.[4] By these means, the capital financing was realised with minimum strains. Some of the infrastructure costs, involving the new system of public commuter facilities, were carried as additions by the state as part of social cost. On the ratio of 25 cars or taxis to one bus, there should have been some resources available to spill-over into the financing of infrastructure costs, through the margins of excess value of the 25 car ratio over one bus purchased.[5]

As a result of these steps, the present situation emerged, with a society, of all age levels and work types, moving freely; while previous car users still enjoyed the same 'facilities' they looked to as before, from their homes to their destinations and back.[6] Quite obviously there was still room for improvement, particularly noticed in the historically more ill-planned residential zones, with their far from symmetrical layout and their tortuous lanes. But these shortcomings were truly marginal compared to the total situation. Their problems had to do with essential physical planning rather than transport logistics. It seemed that, given time, they would be overcome.

There were two methods of approach which the authorities use as overall policy. One was a forward planning to contai the future population level of the city which was obviously not for commute purposes alone. The second was a fairl firm policy of re-zoning within the zones to ensure that all community facilities ar provided within each zone, and that th population does not jump zones for thes facilities. In other words, the aim ha been to relate the community in each zon to its own area for shopping, schooling u to secondary level, health and medica care except for specialist attention, an so on. The so-called city centre was t be a commuter need — department store etc — only on an average weekly basis. Central government and listed office purposes were planned on the basis of dail commuting need.

This re-zoning within zones has alread developed, but has a long way still to g Where it has been finalised, it has achieved tremendous change and given ne satisfactions. Among them are the defact 'walkway' situations that have arise within the zones. These features are obviously strong in the wider city expansion c suburban programmes aided by plannin from zero situations and distance from th city centre. Of great interest is that th suburban zones have assumed a near ci cular pattern round the city, in a set c 'saucers', each saucer being a zone an each being linked to the city and to th other zones by highways. By this means 'spaciousness and proximity' seem to hav

—Over to page 8

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PRESENT ISSUE :

9,00,00,

18,000 Debentures (1998) of Rs. 5,000 each at 99.50% (i.e. Rs. 4,975 each) with a right to retain excess subscription money up to 10% of the Issue, to be applied for issue and allotment of further 1,800 Debentures.

Interest at the rate of 6½% per annum (subject to deduction of tax at source) will be payable half-yearly on February 1 and August 1, except that the first payment of interest accrued from the date of receipt of application up to August 1 1978 on the Debentures alloted will be paid on August 1,1978.

with a right to retain excess subscription up to 10% of the Issue, to be
ds repayment of principal and payment of interest by the Government of India.
ctus from the Registered Office or the Regional Offices of the Company.

NT CORPORATION OF INDIA LIMITED

dian Companies Act VII of 1913)
mation, Bombay 400 020.
0 018 • Hindustan Times House, 18-20, Kasturba Gandhi Marg, New Delhi 110 001.

OVERNMENT GUARANTEE :

ne Debentures, now being issued are guaranteed by the Government of India regarding repayment of principal and the
ayment of interest thereon at 6½% per annum. The Debentures will not, however, entail any charge on the assets or the
ndertaking of the Company.

ne Debentures will be considered as approved security under the provisions of the Indian Trusts Act 1882, the
isurance Act 1938 and the Banking Regulation Act 1949.

ne Debentures shall be redeemed at par on February 1,1998.

he Company shall have the right to purchase Debentures from the open market and sell the same during the un-expired
eriod of the Debentures.

he principal moneys of the Debentures to be issued hereunder and the interest accrued thereon shall rank for payment,
om and out of the funds of the Company:

) subordinate to present and future borrowings of the Company from international organisations and/or foreign Governments and/or agencies thereof with interest thereon, premium (if any), and any additional amounts payable under such borrowing arrangements;

i) *pari passu* with the 8% Bonds of Swiss Francs 8 million (1977-88) issued by the Company and also with all the rupee term loans both present and future and the Debentures issued and to be issued hereafter, and all future foreign currency borrowings other than those mentioned in (i) above, and interest thereon, premium (if any) and any additional amounts payable;

i) superior to the outstanding interest-free special loan of Rs. 3.50 crores from the Government of India, which ranks after the share capital.

uch payment will be without affecting the rights of the lenders referred to in (i) above and of the holders of the 8% Bonds
1977-88) of Swiss Francs 8 million, the holders of 6¼% Debentures (1990) of Rs 13.75 crores, the holders of 6½%
ebentures (1991) of Rs 13.75 crores, the holders of 6¼% Debentures (1992) of Rs. 16.50 crores, the holders of 6¼%
ebentures (1993) of Rs. 22.00 crores and the holders of the present issue of Debentures to take recourse to the Guarantee
f the Government of India issued in their favour.

t any meeting of the debenure holders, each voter shall on a show of hands be entitled to one vote only and at a poll
e shall be entitled to one vote in respect of every principal sum of Rs. 5,000 of the Debentures in respect of which he is
ntitled to vote.

n the event of over-subscription, allotment to shareholders of the Company who apply for the Debentures will be considered
n preferential basis to meet the requirements of the existing listing agreement with the Stock Exchange, Bombay. The offer
nd allotment of Debentures to non-resident shareholders is, however, subject to the consent of the Reserve Bank of India
nder the Foreign Exchange Regulation Act, 1973.

ATES OF THE OPENING AND CLOSING OF THE SUBSCRIPTION LIST :

he Subscription List will open at the commencement of banking hours on Monday, January 23, 1978 and will close at the
lose of banking hours on Friday, January 27, 1978 or earlier at the discretion of the Directors but not earlier than the
lose of banking hours on Wednesday, January 25, 1978.

ROSPECTUS AND APPLICATION FORMS :

pplication must be for one or more Debentures and should be forwarded to the Registered Office of the Company together
ith the payment at the rate of 99.50% of the nominal value of the Debenture i.e. Rs. 4,975 per Debenture. However, for the
ake of convenience, applications together with the necessary payment would be accepted by the Central Bank of India at
s main offices at Bombay, Bangalore, Ahmedabad, Calcutta, Hyderabad, Indore, Madras and New Delhi.

pplication Forms along with copies of the Prospectus can be obtained from the Registered Office and the Regional
ffices of the Company.

Adroit-1361

been both attained, as well as smooth integration with the overall city transport systems. (Diagram III)

With such free and full use of the public transport system at all hours and by all sections and compositions of the population, an element in consumer satisfaction that has been introduced is a system of security services. Transport patrols move within the localised areas especially during the late hours; and similarly on the highways, with the added feature of such personnel boarding the buses at random. The bus stations are provided for on a round the clock basis.

The same replica does not apply to every city in the world; but Pedestrapolis has proved beyond doubt a few things. It has proved that what the motorcar revolution created, viz travel to and from the 'doorstep' of each household, it can provide by public means. It has also proved that it is quieter and easier going around in the public places, and more beautiful. It has established a dimension for the city, as an extension of the home and perhaps part of the family life style. It has made standard, ideas on peripheral and self-contained zones, that were known before but not carried wholeheartedly. And it has shown that these can be realised without undue problems. It has thus established a sustainable mechanism for societies, in cities in terms of meaningful living and moving around. What with all its still noticed shortcomings, Pedestrapolis is perhaps a prototype that will ultimately be found in all cities.

References

1. It is noteworthy that traffic growth, to a point of 'standstill', need not be the only motivator for a reformation. In the capital city of another country which had to clamp down on all private car imports for foreign exchange reasons, the need arose to step up public facilities sharply, leading now to the beginnings of a scheme similar to Pedestrapolis. In fact this situation could be easier to handle since private cars are in any case getting effete; it represented an opportunity not to be missed.

2. Overcrowding varied by times and by routes and additional capacity was derived from an aggregate of peaks weighted for traffic load.

3. On the premise that in the traditional sy
of private transport, there is a continuous flo
'future generation buyers' of private car
scheme obtains for income earners at that
to furnish as loans to the state a notional ca
cost of what has been defined as a 'stand
car.

4. Domestic car assembly capacity was di
ted, in a planned way, to tractor and tr
manufacture etc.; and for mini-vehicles.

5. However, this was partly offset by a lib
approach to the purchase of taxis for spe
service, such as to the airport, hospital etc., f
the residential zones; and by taxi owners as s
not being liable to the capital contribution m
tioned earlier—they contributed, like any oth
if there were private car owners. Taxis
purchased were allowed to operate for the pres
within the residential zones if they so wished
to move to outstations in the country.

6. A pleasant feature was the volunta
practice for VIPs and DPLs also generally to
the public transport system. As a rule,
obtains, the exceptions being state functions
other protocol needs.

7, There would be daily commuters but
average a commuter or family was not expec
to need the city centre except once a week or
There was of course no restriction by comp
sion.

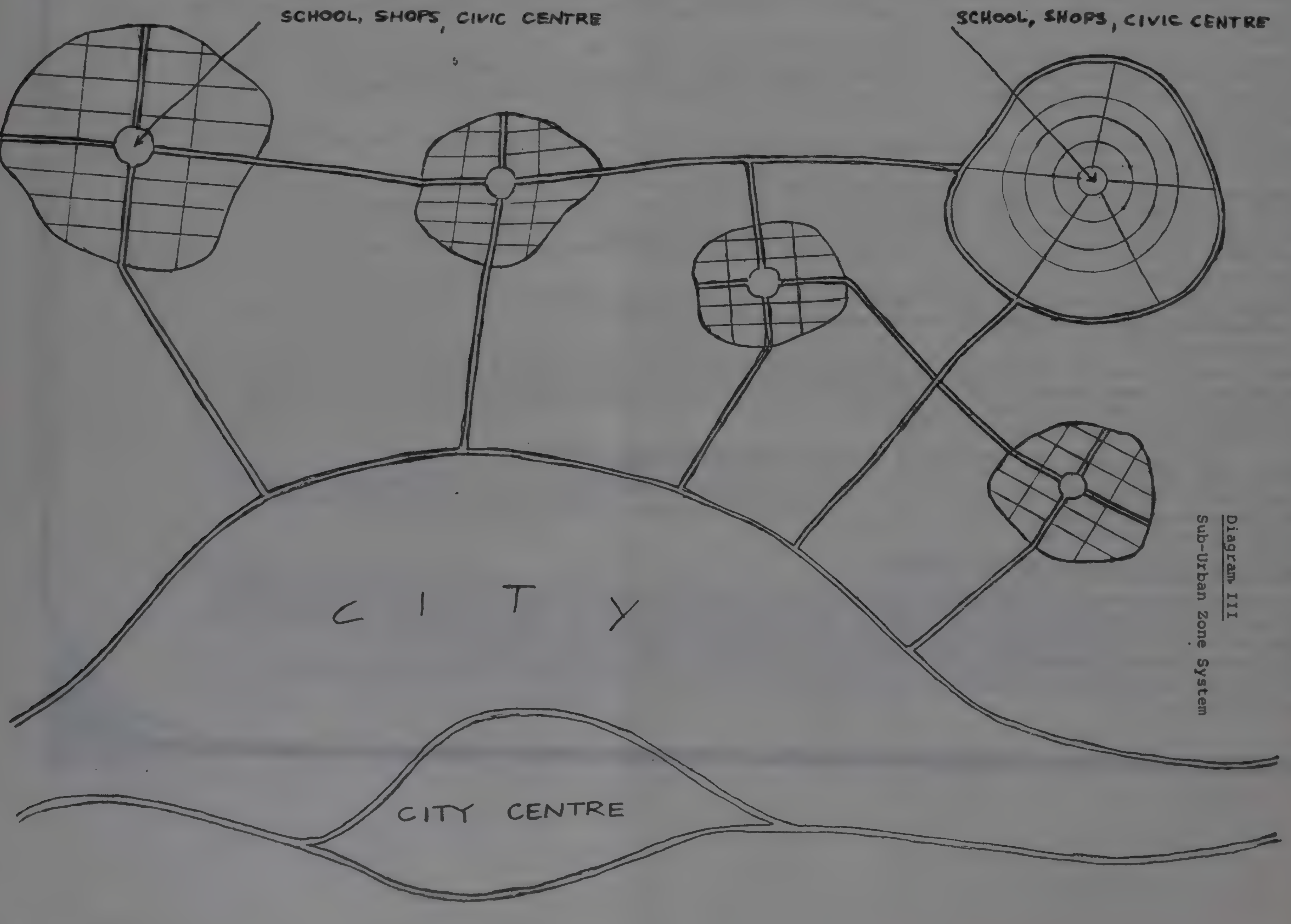

Diagram III
Sub-Urban Zone System

EEC: regional problems and policy

The hopes that economic growth generated by the creation of the Common Market would bring the European Economic Community's regional imbalances within reasonable limits have not fructified. The Community has therefore decided to create two policy instruments—the regional fund and the regional policy committee—to set right the imbalance.

WINDOW ON THE WORLD

REGIONAL DIFFERENCES in levels of economic development exist within all of the Community's member countries. But when one compares regions throughout the Community as a whole; the disparities are inevitably much, much greater. The poorest regions are in the south of Italy and the west of Ireland. The most prosperous regions—Hamburg, Paris, Brussels, and so on—have an income per head several times higher.

The main problem regions fall into two categories. First, there are the underdeveloped rural areas, largely dependent on agriculture and characterised by low levels of income, high levels of unemployment, underemployment and outward migration, and inadequate public infrastructure. Typically such areas are in the Italian Mezzogiorno, Ireland and parts of France.

Second, there are the once rich regions based on industries now in decline, such as coal, steel, shipbuilding and textiles. Such regions are found in the older industrial regions of the United Kingdom in particular, but in parts of France, Belgium and elsewhere too. They are characterised above all by an outdated industrial structure and high levels of unemployment.

Many of the regions concerned are located at the periphery of both their national territory and the Community, which clearly aggravates the problems. And distance is an even more important factor for Greenland, with its special problems of sparse population and unhospitable climate, and the French overseas departments.

One must not forget either the problems faced by certain regions adjoining the Community's internal frontiers, and those of congestion, pollution and urban decay which face many big conurbations in richer and poorer areas.

From its inception the Community has acknowledged the existence of its regional problems and disparities. The Treaty of Rome permits various exceptions to normal Community rules in order to protect the less-favoured regions. And the Community has always had various financial instruments which make available loans and grants to help solve their problems.

The European Coal and Steel Community (ECSC) has made loans totalling nearly 4,000 million ua* to help modernise the coal and steel industries or attract new job-creating industry in coal and steel regions. Such loans last year totalled over 1,000 million ua.

The European Investment Bank (EIB) has made available over 6,000 million ua in loans, the bulk of it for regional development purposes. Last year 75 per cent of the 1,000 million ua lent was for regional projects.

retraining schemes

The European Social Fund (ESF) and the European Coal and Steel Community have together made grants totalling 1,400 million ua for training and retraining workers otherwise unable to obtain jobs.

The Guidance Section of the European Agricultural Fund (FEOGA) has to date spent 1,800 million ua in grants to help modernise the structure of agricultural production and distribution.

The Community's total financial assistance has not therefore been negligible, and a considerable proportion has gone to less prosperous regions, but its impact has not been sufficient in view of the scale of the problems faced.

It was hoped from the beginning that the economic growth generated by the creation of the Common Market, plus the special efforts outlined above, would be sufficient to bring the Community's regional imbalances within reasonable limits. By 1975 it was clear that these hopes remained unfulfilled.

It was also clear that the persistence of the Community's regional disparities were a major obstacle in the path of continued economic integration. Further Community progress in this direction requires a much greater convergence of the economic policies of the member states, and this is simply not possible while certain national economies and budgets have to bear such crippling burdens.

In recognition of these facts the Com-

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*One unit of account=£0.42 or $1.20.

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unity therefore moved a stage further, ith the creation of its first two specific egional policy instruments: the Regional und and the Regional Policy Committee.

The European Regional Development und was established in March 1975, with three-year budget of 1,300 million ua 00 mua for 1975, 500 mua for each of 976 and 1977). The Fund makes grants help industrial and service sector invest- ients which create new or safeguard exist- g jobs, for infrastructure investments oads, water supply, industrial estates, etc) nked with these productive investments, nd for infrastructure investments in cer- in less favoured rural regions. The invest- ients must be located in areas which ualify for national regional aid and be upported by national public funds.

special key

The Fund's resources are shared out ccording to a special key fixed to reflect he extent of the regional problems in the ifferent member states :

taly	40.0%	Ireland	6.0%
Jnited		Netherlands	1.7%
Cingdom	28.0%	Belgium	1.5%
France	15.0%	Denmark	1.3%
V. Germany	6.4%	Luxembourg	0.1%

Applications for grant are submitted by he national governments. Up to April 977 the Commission had approved rants totalling 946 million ua for 3,327 ivestment projects. The table alongside ives the regional breakdown of the rants approved.

Grants are paid to the national autho- ities, who can either pass them on to the idividual investor, or retain them as part eimbursement of national expenditure on he projects concerned. To date all govern- ients have taken the second alternative as ır as private sector investments are con- rned, but in most cases grants for infras- ucture projects are passed on to the gional local authorities involved.

The retention of the grants by the natio- al authorities is acceptable provided it oes not lead to a reduction of national penditure on regional development. In ther words, the additional resources must e used for additional regional develop- ent projects which could not otherwise have been financed within the year in question so that the total regional development effort is increased by the amount of the receipts from the Fund. How best to ensure that this is the case has perhaps been the main subject of public controversy concerning the Regional Fund.

The second instrument of Community regional policy, set up at the same time as the Regional Fund, is the Regional Policy Committee, composed of senior national and Commission officials. Its task is to keep the development of the regions under constant review, to compare and assess national regional policies, which must clearly be compatible both with each other and with Community aims, and generally to examine all aspects of Community activity which affect the regions. It advises the Commission and the council of ministers where Community-level action is needed in order to protect regional interests.

On June 1, 1977 the Commission proposed a series of measures aimed at developing a new active and comprehensive Community regional policy.

It had already decided, on May 26, as part of the Community budget, to propose a figure of 750 million European units of account for the European Regional Development Fund in 1978. (In the same units of account the Fund has about 400 million available in 1977.)

An active and comprehensive regional policy is necessary for four main reasons:

- The establishment of the Common Market did much to stimulate economic growth during the 1960s and brought benefits to both richer and poorer regions. But it did little to reduce the gaps between them;
- the economic crisis has aggravated the problems of the traditionally poorer regions and also created new problems;
- Community policy decisions in other fields can have unfavourable consequences for the regions;
- the persistence of major regional imbalances is a major obstacle to the convergence of national economic policies without which further progress towards economic integration is not possible.

This new situation requires the new Community regional policy to be more ambitious than in the past. Indeed, even at times of sustained growth the compensations to the less-favoured regions have not been sufficient to resolve the problem

European Development Fund : Aid Granted in Million Units of Account during October 1975-April 1977

(million ua)

	Industrial, handicraft and service activities	Infrastructure	Rural infrastructure	Totals
Belgium	3,67(16)	13,80(91)	—	17,47(107)
Denmark	1,91(19)	12,46(86)	—	13,65(105)
W. Germany	17,67(227)	24,44(161)	—	42,11(388)
France	43,97(302)	74,64(133)	3.88(6)	122,49(441)
Ireland	34,44(76)	27,94(128)	9,84(26)	72,22(230)
Italy	115,05(227)	52,37(91)	22,08(276)	389,50(594)
Luxembourg	—	075(1)	—	0,75(1)
Netherlands	—	15,58(11)	—	15,58(11)
United Kingdom	102,71(298)	161,08((1093)	8,10(59)	271,89(1450)
Totals	318,70(1165)	383,06(1795)	43,90(367)	945,66(3327)

Exchange rates EDF: 1 u.a.=50 FB =7,5 KD =3,66 DM =5,55419 FF =0,416667 £ =625 Lira. =3,62 Fl.

Note : Rounded figures: in brackets: number of investment projects) of regional disparities. A comprehensive approach to the problem of structural change is called for, to help both the regions which were underdeveloped even before the creation of the Community and those which face or are likely to face difficult problems or redevelopment.

Regional policy must be conceived as a comprehensive policy concerning all Community territory and all Community activity. It must involve a variety of specific regional measures, bring a "regional dimension" to other Community policies and be closely coordinated with, and complementary to, national regional policies.

Community regional policy has two main aims; on the one hand, the reduction of the existing regional imbalances found in both the traditionally less-developed regions and those in the process of industrial or agricultural redevelopment; on the other, the prevention of new regional imbalances likely to occur as a result of the trends in world economic development or of policy measures adopted by the Community.

These aims must be achieved within the framework of an active employment policy. In the present economic situation of the Community the creation of new jobs in the regions suffering from the greatest structural unemployment must remain a major priority.

effective monitoring

The first task is to establish an effective monitoring system which can regularly review the situation of all the Community's regions and define where Community action is required. Then, every two years beginning in 1979 the Council, on a proposal from the Commission, will set priorities and guidelines to be followed by both the Community and the member states.

From now on, in preparing its proposal in all main fields of Community policy the Commission will take account of the regional consequences of those policies. The Community will thus be able to take into consideration the interests of the regions concerned and where necessary adopt specific measures to correct any negative effects.

Coordination will be based on the guidelines to be set by the Council and the regional development programmes of the member states. The Commission is concerned in particular to bring about the coordinated use of disincentives to investment in developed regions and the coordination of infrastructure projects, especially in internal frontier regions and to ensure that Regional Fund and national resousces are used in a complementary way.

principal instrument

The principal financial instrument of Community regional policy is clearly the Regional Fund. But the Community's effective contribution to regional development will be greatly increased by the coordinated use of all Community financial instruments, including its loan facilities.

As far as the Regional Fund itself is concerned, a number of important changes are proposed:

(i) The Fund is from now on a permanent instrument of Community regional policy and its resources will be fixed each year as part of the general Community budget. The Commission has propored 750 million EUA for 1978.

(ii) The Fund will be divided into two sections. The larger section (650 million EUA for 1978) will provide support for national regional policies as in the past and will be based on the existing system of national quotas. The remaining 100 million EUA will be used to finance specific Community actions outside the quota system.

(iii) Two categories of regions will benefit under the quota section of the Fund: first the most seriously underdeveloped regions (the Mezzogiorno, Ireland, Northern Ireland, Greenland and the French Overseas Departments); and second the regions facing major problems of industrial or agricultural redevelopment (such as many industrial regions of the United Kingdom or agricultural regions of France). These regions coincide with the nationally aided areas currently eligible for Regional Fund assistance.

(iv) The non-quota section of the Fund will be used to combat specific problems which arise in either the regions eligible under the quota section, in:

—Areas affected by Community poli decisions. These will be determin in the light of these decisions and m be inside the nationally aided areas in other parts of the Community;

—Regions at the Community's inter frontiers which feel the effects integration with particular sharpness

(v) The rates of grant can be varied acco ding to the categories of region ar the nature of the problems. Infra tructure projects which contribute regional development can recei grants of between 10 and 50 per ce of their investment cost; for indu trial and service sector projects th rate of grant will be closely related the number of jobs created or saf guarded.

speacific actions

(vi) The specific actions to be financed b the non-quota section will be determined by the Council, on a proposa from the Commission. One specifi action is proposed immediatel namely a system of interest rebates c five percentage points on loans fror the ECSC, the European Investmer Bank or new Community loan facil ties. In addition, the Commission i examining the case for establishing system for taking shares in the ris capital of companies, via existin national regional development bodies

(vii) The proposals require the membe states to indicate clearly how Regional Fund resources are used.

The scale of the task involved require the creation of a mechanism capable o appreciating regional problems in all thei aspects and indicating the guidelines fo coordinated Community and nationa action. The Commission considers tha consultation between the Community, the member states, the employer's organisations and trade unions and representatives of regional and local authorities is needed It will put forward proposals with this in view during the discussions to take place in the Council.

—*Commision of the European communities.*

MOVING FINGER

When I was recently in Bombay, I was amused and pleasantly surprised by the normalcy of life, despite the mass strike of state government employees. No doubt there were dislocations here and there, particularly in the distribution of Aarey milk. But, by and large, the business of the city—and I presume the state—seemed to go on much as usual. Now, what can one reasonably make of it? It is of course tempting to conclude that governments are an expendable luxury or even an outrageous imposition. But that would be a rash judgment. If the trouble continues for a sufficiently long period, the public is bound to be affected. But it seems to me to be a fair assessment that the limited impact of the strike so far on the day-to-day affairs of the community is some evidence that much of the form-filling and file-pushing which seems to be what administration is about these days is not really relevant to what concerns or interests the people in their everyday life.

Could this mean that the greater part of the bureaucracy is a non-functional or non-functioning mass and that its main purpose is to provide some occupation to the products or, perhaps, victims of our essentially non-utilitarian system of education?

This kind of wasteful employment is to be found also elsewhere than in government. I could immediately think of the banks, especially as they are after the nationalization of the larger ones among them. Thanks largely to the explosive expansion of branch banking, this industry has become disgracefully overmanned. It is only to be expected that, given the militant trade unionism of bank employees and the continuous swelling of their ranks, the power of numbers should have gone to their heads. The result is that the union leaders are able to get away with murder. In the last week of December, bank employees struck work for two days and since these days were followed by a bank holiday and a Sunday, the business community and the general public had to do without bank facilities for four days at a stretch. This was not all. The bank employees also threatened to non-cooperate with the management until their demand for wage negotiations was met. The threatened non-cooperation was of course with the public rather than with the management, since the managements themselves seem to have lost heart in "managing". The most surprising part of it is that no disciplinary action has been taken even against the key promotors of the unauthorised stoppage of work. On the contrary, the demand for talks on wages has been conceded and conciliation proceedings are taking place. The excesses of the emergency may have fallen into disfavour, but it still remains true that nothing succeeds like excess.

In a recent issue of *The Times of India* Sunday Magazine, Mr Inder Malhotra, launching a scathing attack on Mr M.O. Mathai's "Reminiscences of Nehru Age", described the author as not only a braggart, but also a blackguard. Since I myself have called Mr Mathai a cad in these columns, I cannot argue that he has been harshly dealt with by his most recent non-admirer.

All the same I must mention at least one or two of quite a few illogicalities in Mr Malhotra's observations on Mr Mathai's book. Mr Malhotra writes: "Mr Nehru was 58 when he became prime minister and for all his unique greatness was human enough. He was also a widower. There would be nothing unusual if he found happiness in the company of some women friends". True enough, but then how is this relevant as a criticism of what Mr Mathai has written about "Nehru an Women"?

Provided the account is factual information of this kind certainly has place in any account of a public figur and Mr Mathai himself has shown a even more liberal understanding o Nehru's frailty, if frailty it was, than M Malhotra.

This is not to argue that there is no much vulgarity in Mr Mathai's book, bu one could protest too much against the lapse. In any case, if the more titillating passages from Mr Mathai's book have been serialised in the popular press, who is Mr Malhotra to throw the first stone? Did not his stable-mate, Mr Khushwant Singh, carefully extract for publication in *The Illustrated Weekly of India* the portions dealing with Gandhiji's *brahmacharya* experiments from Mr Ved Mehta's book "Mahatma Gandhi and his Apostles" which, as Mr Mehta himself has pointed out, is 260-pages long? Why blame the authors when there are so many people around who are only too ready to feed on their vomit?

Incidentally, Mr Mathai seems to have upset the reviewers so much that hardly any of them had anything to say about his account of a son born to Nehru and left by the child's mother to the care of some convent in Bangalore. Mr Mathai's version has at least the merit of being circumstantial and if there is any truth at all in what he has said, Nehru's conduct, surely, was indefensible. To have an affair is one's private business, but to discard and disown the offspring and make no provision whatsoever for its care and upbringing is not conduct which can be excused in any one. Mr Mathai's account has been before the public for some time now and, so far as I know, nobody has come forward to refute him. Assuming that he has uttered the truth, Nehru's unnatural behaviour should be deplored for more reasons than one. The Congress, for instance, might not have faced a post-Indira leadership problem, for there would have been a claimant more authentic than Mr Sanjay Gandhi ever was.

VB

TRADE WINDS

Engineering Fair

N COOPERATION with the government of India, the Association of Indian Engineering ndustry (AIEI) is holding the econd Indian engineering rade fair in New Delhi from February 1 to 13, 1978. The fair will be inaugurated by the prime minister, Mr Morarji Desai.

The fair is designed to show the capabilities built up by India in the engineering field and the technological advances made by it in the recent years. Over 200 Indian engineering companies, both from the public and the private sectors, including small-scale units, will be participating in the fair.

Particular projection is being attempted about the achievements in such lines as welding, foundry, automobile ancillaries, electronics, light engineering, air-conditioning, basic metals, consultancy, heavy mechanical and electrical equipment, ship-building, compressors, industrial machinery, machine tools, mining, etc.

Good Prospects

A large number of overseas visitors, both from the developed and the developing countries, are expected to visit the fair. The association anticipates that the fair may result in generating business at least to the tune of Rs 50 crores. The first such fair, organised by the association in February, 1975, resulted in business inquiries of the order of Rs 44 crores, of which Rs 10 crores worth inquiries related to export. This fair led to the launching of an aggressive, result-oriented trade mission programme by the association to 18 countries in Africa, west Asia and south-east Asia. The results following the first fair and the trade mission programme have been quite wholesome. Encouraged by them, the association has set before itself the target of stepping up exports of engineering goods to as much as Rs 1,000 crores by 1980.

Joint Ventures

In a bid to foster joint ventures abroad and India's collaboration with the developing countries, invitations for visiting the fair have been extended by the AIEI to international agencies dealing with projects around the world. These agencies include the World Bank, the Asian Development Bank, the UNIDO, the European Economic Community, etc. The prime contractors from the advanced countries have also been invited to see India's capabilities so that they can draw upon them.

In view of the stress being placed on the development of small-scale industries in the country and in recognition of the role already being played by this sector, the government of India is organising a special cell in the trade fair to give on-the-spot information and advice to young engineers and other young entrepreneurs, who would like to set up their own small-scale units, in regard to government policies, procedures, etc.

On the occasion of the fair, a number of conferences such as the Afro-Asian technology conference, radio and electronics convention, the third international seminar of economic journalists, technical consultancy services conference, small-scale industries conference and a buyer-seller meet for the foundry industry will be organised by the Indian Institute of Welding, the All-India Radio and Electronics Association, the Forum of Financial Writers, the National Association of Consulting Engineers and the AIEI's foundry and small industry divisions. These will have international participation.

British Grants

Five agreements to the value of £144 million (Rs 228 crores) were signed recently by Mr W.L. Allinson, the acting British High Commissioner, and Dr Manmohan Singh, secretary, department of Economic Affairs, ministry of Finance. This is the largest amount Britain has ever signed over at a single ceremony of this kind in India. The agreements comprise Rs 110.8 crores (£70.0 million) for maintenance aid, Rs 47.5 crores (£ 30 million) for major projects, Rs 31.7 crores (£ 20 million) each for the import of capital investment goods, and for the coal and power sectors, and Rs 6.3 crores (£4 million) for debt refinancing. The entire assistance under these agreements is in the form of grants. The maintenance grant will be used for the import from Britain of maintenance goods, including raw materials, spares, components and commodities. The debt refinancing grant provides the government of India with untied free foreign exchang for servicing loan repayments The remaining three capita grants are intended for th purchase of a wide variety o machines and equipment fo existing and new productiv capacity.

India-EEC Pact on Textiles

The textile negotiations between India and the EEC for a new five-year agreemen ended recently when the heads of the two delegations initialled the text they had hammered out over a 10-week period. The danger of unilateral measures against the Indian exports under Article 19 of GATT is therefore, over. But the new agreement is considerably more restrictive than the one it replaces. This is admitted by the Community's negotiators who maintain, nevertheless, that India has been more favourably treated than any of the other major suppliers. They poin out that the quotas have been increased substantially in the case of a dozen or so products subject to self-restraint and that in the case of all products Indian exporters will enjoy security of access to the Community market in terms clearly spelled out in the new agreement.

Article 1 in fact stipulates that the EEC will not take administrative or procedura measures having equivalent effect to the quantitative restrictions. But whereas the old agreement was limited to cotton products, the new one includes man-made fibres and wool. The number of products subject to quotas is also nearly twice as large. Annual growth rates on the other hand are as low as 0.25 per cent for cotton fabrics, as against seven per cent at present and around one per cent for shirts and blouses even though the overall rate is ix per cent. But the most un-easonable departure relates to he trigger mechanism, which overs products not under spe-cific restraint. Under this mechanism the EEC can ask or consultations should the imports of a given product each a pre-determined level of the EEC total imports of that product. If the consultations are unsuccessful the Community will fix a quota probably at the evel of the trigger point.

India-US Joint Commission

The India-United States Joint Commission held its third meeting on January 3. The joint commission welcomed the initiatives being taken in the Economic and Commercial subcommission and the joint business council in removing problems in bilateral trade and in supporting commercial cooperation between Indian and the US companies in third countries. The joint commission welcomed the expansion of joint activities under the Agricultural Inputs Working Group and proposed a change in its name to Agricultural Inputs and Associated Technology Group, with a broad mandate to maintain a dialogue and initiate joint discussions and research projects in the field of agricultural inputs, marketing and processing. The joint commission welcomed the proposal to form another group—Industrial Working Group—to undertake joint discussions and research in the field of industry including small-scale industry technology, appropriate technology and government sponsored industrial high technology.

The joint commission supported the objective of the Education and Culture Subcommission to increase the number of fellowships from ten to fifteen and to initiate a visitorship programme; to hold two seminars in 1978; to open an exhibition in India in 1978 and one in the US in 1979; and to exchange films and TV documentaries during the coming year. In addition, both governments will strive to support and expand sub-commission activities.

The joint eommission on Science and Technology supported an expansion of cooperative research in new fields of wildlife and habitat, solar activity related to weather phenomena, oceanography, earth sciences and small industrial technologies. The two governments noted the progress in bilateral cooperative research, recommended meetings of experts to develop projects in additional fields and urge streamlining of procedures fo government approval of proposed research.

Landsat Remote Sensing Data

The secretary of state of th United States, Mr Cyrus R. Vance and the minister o External Affairs of India, M Atal Bihari Vajpayee, signe recently a memorandum o understanding which will resul in India receiving Landsat remote sensing data direct from the Landsat. This should give India an important additional tool for development. The Landsat will provide information which will be useful i estimating crops and yields, range land management, forest and water resources, mineral and oil exploration, geologic survey and mineral resources management, map making, land use planning, health and

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environmental protection, in monitoring marine resources, in disaster warning and relief, as well as in planning of large river basins and of the deserts.

Duty Exemption on Import of Cement

The government has decided to exempt imported cement from the whole of the import duty leviable thereon. This concession is expected to facilitate the import of cement to meet the country's demand. This concession came into effect from January 4, 1978 and will be in force up to and inclusive of March 31, 1979.

Communication Facilities in Villages

Fifty thousand villages in the country would be covered by mobile post offices in 1977-78. So far 27,236 villages have been covered under this scheme. This was stated recently by the minister of Communications, Mr Brij Lal Verma, at the meeting of the consultative committee of members of parliament attached to his ministry. The minister added that a policy decision had been taken by the government to provide public call telephone facility at all places having a population of 5,000 or more in ordinary areas. In hilly and backward areas, telephone facilities would be provided in all villages with a population of 2,500 or more. In smaller villages facilities would be provided at the places having police stations under the charge of an officer of the rank of sub inspector of police or above and tourist and pilgrim centres if the anticipated revenue was more than 25 per cent of the annual recurring expenditure in ordinary areas, 15 per cent in backward areas and 10 per cent in hilly areas.

Telephone and telegraph facilities under the new policy were thus expected to be provided in approximately 4,000 more places to which about 1,000 were those pending under the previous policy and extend to 3,000 villages, was envisaged under the new policy. It was the intention of the department to cover these places within the next two years, the minister added. Post offices were at present functioning in over 108,000 villages in the country. During the current year it was planned to open 3,100 more post offices in villages. In addition, postal counter facilities through mobile post offices are planned to be extended to 50,000 more villages during the current year. Postmasters would go on cycles and provide mobile post office services in neighbouring villages. With the completion of this scheme, postal counter facilities are likely to become available in over 162,000 villages by the end of the year.

Foreign Contributions

The central government has amended the Foreign Contribution (Regulation) Rules 1976 in order to provide relief in respect of two aspects. Intimation about receipt of foreign contribution by an association referred to in Sub-section(1) of Section 6 shall be given for every half year beginning on the first day of January and the last day of July every year in form FC-III, in duplicate, within 30 days of the closure of the half year instead of within 30 days of receipt of the contribution as was prescribed earlier. The accounts in respect of foreign contribution will now be maintained on an yearly basis instead of on six monthly basis and the statement of accounts duly certified by a chartered accountant will now be submitted to the secretary to the government of India in the ministry of Home Affairs, New Delhi within 60 days of the closure of the year instead of within 45 days of the closure of the year. The year for this purpose will be the calendar year commencing from first day of January.

Rajasthan Financial Corporation

The Rajasthan Financial Corporation (RFC) has signed an agreement with United Commercial Bank, under which the latter will provide working capital on liberal margin to small-scale units to whom RFC sanctions term loans for fixed capital. The agreement was signed by Mr T.V. Ramanan, managing director of the corporation and Mr M.L. Chhajlani divisional manager of UCO Bank recently. Under the agreement, UCO Bank would provide working capital loan on considerably reduced margin to RFC assisted unemployed technocrats and other small scale units in the state. In case the margin is not available from the technocrat entrepreneurs, they will be required to take out an insurance policy for their life for the value equivalent to the amount of margin money required on the working capital facility allowed by the bank.

Coordinated Effort

The corporation and the bank have both agreed to extend their mutual cooperation and help in the inspection of units and in devising schemes of rehabilitation of industrial units, which are facing various difficulties in running the units. They will help each other in the matter of recovery of loans and will exchange information of mutual interest. It may be recalled here that RFC has been making special efforts to m
arrangements with the c
mercial banks for cooperat
and coordination in a
like appraisal of credit ne
of the industrial units, sanct
on fixed and working cap
loans etc, in order to prov
package financial assistanc
small scale industries. In
context RFC has already m
aggreements with six lead
banks viz. The Bank of Ra
than Ltd, Central Bank
India, Punjab National Ba
State Bank of India, Ind
Bank and State Bank of Bi
ner & Jaipur.

Market for Industrial Fasteners

Industrial fasteners can co
mand a huge market in D
mark as the building constr
tion industry there is grow
at a rapid rate. Moreov
Denmark relies on imports
the extent of 80 per cent
this item. Both on qualityw
and pricewise Indian fasten
can compete very well as
retail prices there are ve
high. Inspite of the huge tra
sport costs Indian fasten
would still be competiti
According to a survey condu
ed by the Trade Developme
Authority, besides the con
truction industries, machi
tools, ship-building, gene
engineering industry, electron
transmission towers and pow
stations, petrochemical a
structural industries, agric
tural implements and equi
ment are various importa
users of this item. Since the
is no automobile producti
plant in Denmark, there is
demand for automobile fast
ners in original equipmen
Even the replacement marke
demand for these is being m
by importing from respecti
original equipment supplie
The survey report observed th
Danish importers were n

aware of the vast range of fasteners being manufactured by India and also the fact that these were being exported to most of the European and American markets. 'Market Survey for Industrial Fasteners in Denmark' is available from Trade Development Authority and has been priced at Rs 13.

Company Law Board

The central government issued on January 4, 1978 notification reconstituting three All India Company Law Board benches consisting of two members each, three regional benches consisting of two members each for western and southern zones and three regional benches consisting of two members each for eastern region under the Company Law Board (Bench) Rules, 1975. In addition, two single member All India Regions Company Law Board Benches, and one single member bench for western and southern regions and one single member bench for eastern region have also been constituted. These benches of the Company Law Board will hear and dispose of finally all petitions and applications made in respect of companies functioning throughout the country, in the western and southern regions and in the eastern region coming before them under the Company Law Board (Bench) Rules, 1975. This follows the assumption of the office of chairman of the Company Law Board by Mr P. Krishnamurti on January 1, 1978.

Mr P. Krishnamurti, chairman and Mr P.B. Menon, member constitute the first two-member All India Company Law Board bench. Others who constitute as two-member each second and third All India Company Law Board benches are Mr P. Krishnamurti, chairman, Mr A. Neelakantan, member, and Mr P.B. Menon, member and Mr A. Neelakantan, member respectively.

Two members each constituting three Company Law Board benches for western and southern regions are Mr P. Krishnamuti and Mr S. Rajagopalan for the first bench, Mr P.B. Menon and Mr Rajagopalan for the second bench and Mr S. Rajagopalan and Mr A. Neelakantan for the third bench. Two members each constituting three Company Law Board benches in eastern region are Mr P. Krishnamurti and Mr S.M. Dugar for the first bench, Mr P.B. Menon and Mr S.M. Dugar for the second bench and Mr S.M. Dugar and Mr A. Neelakantan for the third bench. Mr P.B. Menon and Mr A. Neelakantan each constitutes single member Company Law Board bench for All India regions. Mr S. Rajagopalan constitutes single member bench for western and southerh regions and Mr S.M. Dugar constitutes single member bench for eastern region.

Scooter Sales Control

The government has decided to withdraw the control on the distribution and sale of scooters from January 2, 1978. However, the permits already issued under the Scooters Distribution and Sale Control Order 1960 which has now been revoked from January 1, 1978, will continue to be effective for delivery by the manufacturer. Besides the allotments of Chetak scooters manufactured by Bajaj Auto Limited, against foreign exchange remittances, will continue to be made by manufacturer directly under the scheme of inward remittances of foreign exchange. So far under the control order, the distribution and sale of three makes of Chetak and Bajaj-150, manufactured by Bajaj Auto Limited and Priya, manufactured by the Maharashtra Scooters Limited at Satara in collaboration with Bajaj Auto Limited, was regulated by the government.

Relief to Central Government Pensioners

Central government pensioners have been granted a further instalment of relief at the rate of five per cent of pension subject to a minimum of Rs 5 and a maximum of Rs 25 per month with effect from September 1, 1977. This has been done to compensate the pensioners and family pensioners for the rise in the cost of living.

International Sugar Pact

The new international sugar agreement designed to stabilise the free market price of sugar will come into effect from January 1, 1978. The requisite number of sugar exporting and importing countries required to make the agreement operative have notified the United Nations, that they approve of it. India, which is among the 53 sugar exporting countries of the world, also ratified it. But it did so under the reservation that it will abide by the agreement only to the extent consistently with its policies in the field of controls, taxation and planned economic development. The agreement, as ratified by the international community, holds out the expectation that the price of sugar in the free market will stabilise within a range of 11 to 21 cents per pound (above Re 1 and Rs 1.80). The stabilisation is to be achieved hopefully through a combination of export quot and internationally coordin ed, nationally held reser stocks of sugar.

IDBI Bonds

The Industrial Developme Bank of India has announc the issue of the tenth series bonds for the aggregate val of Rs 50 crore bearing intere at six per cent per annur IDBI has reserved the right t retain subscriptions up to 1 per cent in excess of the not fied amount. The issue pric of the bonds will be Rs 99 pe cent and they will be redeem able at par after 10 years, tha is, in January 1978. The bond will be issued in the denom nations of Rs 1,000, Rs 5,000 Rs 10,000, Rs 25,000, an Rs 1 lakh or in multiples o Rs 1,000. Subscriptions will b received at the offices of th Reserve Bank at Bangalore Bombay (Fort), Calcutta Hyderabad, Madras and New Delhi on January 9 and 10 1978. The subscription list may be closed earlier if the issue is fully subscribed. The interest on the bonds will be payable half-yearly on July and January 9. The government of India has agreed to guarantee the bonds as to repayment of principal and payment of interest. With such a guarantee, the bonds will be Trustee Act, 1882 and approved securities, for the purpose of the Insurance Act. 1938 and the Banking Regulation Act, 1949. They will also be treated on par with government securities for purposes of advances to scheduled commercial banks, regional rural banks and state cooperative banks under Section 17(4)(A) of the Reserve Bank of India Act, 1934. IDBI has so for issued nine series of bonds of the aggregate face value of Rs 247.38 crores. The issue of the tenth series of bonds is for augmenting the resources of IDBI so as to enable it to meet the increasing requirements of assistance to industry.

REC Bonds

The Rural Electrification Corporation (REC) has decided to issue bonds for Rs 10 crores to augment its resources and to enlarge its scope of assistance for rural electrification. The bonds, which carry an interest of six per cent per annnm, are redeemable after 10 years. The bonds will be issued in denominations of Rs 1,000, to Rs 10,000, Rs 25,000, and Rs 100,000. Subscriptions will open on January 10, 1978 and close on January 12. The subscriptions may be closed earlier if the issue is fully subscribed. The REC plans to reserve the right to retain subscriptions up to 10 per cent in excess of the notified amount. Interest on bonds will be payable on half-yearly basis on July 10 and January 10 every year. The bonds are fully guaranteed by the central government as to repayment of principal and payment of interest. The bonds are approved securities under the Indian Trust Act, the Insurance Act and the Banking Regulation Act. The issue price will be Rs 99 for every Rs 100 of the bonds applied.

ICICI Debentures

The Industrial Credit and Investment Corporation of India Limited (ICICI) proposes to enter the capital market with an issue of 6½ per cent debentures (1998) for Rs 9 crores at 99.50 per cent with a right to retain excess subscription up to 10 per cent of the issue. Like the previous issues, the debentures, which carry guarantee of government of India as regards repayment of principal and payment of interest, will be "approved security" under the Indian Trusts Act, 1882, the Insurance Act, 1938 and the Banking Regulation Act, 1949. The fund raised by this eleventh issue of debentures by ICICI, will enable the corporation to step up disbursals of rupee loans which have been substantially higher this year.

Names in the News

Mr K.K. Sharma, a senior executive of Brooke Bond has been unanimously elected chairman of the Processed Foods Export Promotion Council for a second term. Mr Sharma started his career with Arvind Group of textile mills in Ahmedabad, latter joined the house of Godrej from where he came to the present organisation.

K. K. Sharma

Dr S. S. Baijal, Managing Director, Indian Explosives Limited, New Delhi has been elected chairman and **Dr Easo John**, managing director, Madras Fertilizers Limited, Madras, as vice-chairman, of the Fertiliser Association of India, New Delhi.

Dr Easo John is the first Indian managing director of Madras Fertilizesr Ltd. Earlier as director, Finance & Administration, Amoco India Incorporated (1968-74), he was member of MFL Board of Directors.

Dr Baijal has worked with the Alkali & Chemical Corporation of India Limited and Atul Products Limited. He was appointed director of Cibatul on behalf of Atul Products Limited. He retu
ed to ICI (India) in mid-1
as a director and later in
same year took over as tech
cal director. In August 1
he was appointed as the ma
ging director of Indian Exp
sives Limited.

DEPARTMENT OF ATOMIC ENERGY

Directorate of Purchase and Stores

The Director, Directorate of Purchase and Stores, Departmen
Atomic Energy, Bombay invites tenders as detailed below:

1. DPS/RRC/IEE/370 due on 15.2.78. Periscope with binacu
vision arrangement internal biological protection against alpha and b
radiations. Qty 1 No.

2. DPS/RRC/IEE/373 due on 15.2.78. Ultrahigh vacuum (UH
surface analysis equipment for studying solid surfaces of materials
atomic scale as well as reactions proceedings on/at surfaces/interfaces.
1 No.

3. DPS/RRC/IEE/375 due on 16.2.78. Double beam atomic abs
tion spectrophotometer for the measurement of absorbance, concentrat
and commission with very high sensitivity.

4. DPS/NFC/IEE/74 due on 16.2.78. Fuel enrichment scanner
detect spec fuel pellets, gaps or voids. Qty 1 No.

5. DPS/VEC/IEE/70 due on 17.2.78. Accounting machine, punch
machine, interpreting key punch and card reproducing, various qty.

6. DPS/BARC/R-5/IEE/49 due on 17.2.78. Single pen pnuma
recorder with alarm controls with linear-square root scale in various q

7. DPS/MAPP/O & M IEE/14 due on 18.2.78. Sodium leak detec
absolute mode for continuous measurement trace sodium levels in one so
stream of range 0.1 to 1000 PPb sodium. Qty 1 No.

8. DPS/BARC/IEE/1395 due on 20.2.78. Instrument for the deter
nation of oxygen and nitrogen in refractory metallic compound. Qty 1 N

9. DPS/BARC/IEE/1396 due on 20.2.78. Integrated line assem
with 2" x 2" crystal and photo-multiplier. Qty 1 No.

10. DPS/BARC/IEE/1393 due on 21.2.78. Mass spectrometer w
interchangeable thermionic sources and electron impact iron source suita
for temperature upto 2500°C. Qty 1 No.

11. DPS/BARC/IEE/1399 due on 21.2.78. Synchro and digital co
verter (IC). Qty 3 Nos.

12. DPS/BARC/IEE/1400 due on 22.2.78. Digital to synchro conv
ter (IC).

13. DPS/BARC/IEE/1401 due on 20.2.78. Synchro to BCD co
verter.

14. DPS BARC/IEE/1402 due on 23.2.78. Vacuum evaporati
source. Qty 1 No.

15. DPS/BARC/IEE/1403 due on 23.2.78. Helium leak detector. Q
1 No.

16. DPS/BARC/IEE/1404 due on 24.2.78, Tethered balloon atmo
pheric sounding system for the height of at least 1000 m. Qty 1 No.

17. DPS BARC/IEE/1408 due on 24.2.78. Electronic analytic
balance weighing range 0-160.19.

18. DPS/BARC/IEE/1410 due on 27.2.78. Dichrograph with doub
manochromator for measuring and recording circular dichoism with X
recorder with time base. Qty 1 No.

19. DPS/BARC/IEE/1411 due on 27.2.78. Ultra violet recorder util
ing ultraviolet light reflected from galvanometer to record on photo sensiti
direct print paper.

20. DPS/BARC/IEE/1413 due on 28.2.78. Electron multipliers. Q
2 Nos.

21. DPS/BARC/MHD/IEE/25 due on 28.2.78. High resolutio
scanner monochromator.

Tender documents priced Rs 20 for items 9, 11, 12, 13, 14, 17, 20
21; Rs 30 for item 16: Rs 40 for items 1, 3, 4, 6, 7, 15 & 19; Rs [illegible] for ite
2, 5 & 8: Rs 80 for item 18 and Rs 100 for item 10 and general conditio
of contracts priced Rs 0.50 paise can be had from the Finance and Accoun
Officer, Department of Atomic Energy, Directorate of Purchase and Store
3rd floor, Mohatta Building, Palton Road, Bombay-400001 between 10 a.m
and 1 p.m. on all working days except on Saturdays. Import licence wi
be provided only if the items are not available indigenously. Tenders wi
be received upto 3 p.m. on the due date shown above and will be opene
at 4 p.m. on the same day. The right is reserved to accept or reject lowes
or any tenders in part or full without assigning any reasons.

davp 645(243)/7

COMPANY AFFAIRS

hree Synthetics

REE SYNTHETICS Ltd has pas-
l over the equity dividend for
e year ended June, 1977,
ainst 12.5 per cent paid for
e previous year. Despite an
crease in total quantity of
rn sales from 1,103 tonnes
1,369 tonnes, the turnover
clined modestly from
15.44 crores to Rs 15.34
ores, due to lower per unit
alisation. The company's
ant achieved higher produc-
on of 1,337 tonnes of nylon
d polyester filament yarn
uring the year against 1,223
nnes in the previous year.
he market was, however, not
vourable for the major part
the year. This affected the
ofitability adversely. In the
tter part of the year, the
mand has revised and prices
ve started looking up from
e uneconomic levels.

The gross profit declined
arply from Rs 261.31 lakhs
Rs 97.34 lakhs. After pro-
ding Rs 79.82 lakhs (Rs 77.55
khs) for depreciation and
5.35 lakhs (nil) for invest-
ent allowance the net profit
orks out at Rs 12.17 lakhs.
eference dividends will absorb
7.71 lakhs (same). After
justments, a sum of Rs 78.07
khs (Rs 72.73 lakhs) has
en carried forward.

oltas

Voltas Limited has cut the
uity dividend from 12 per cent
seven per cent for 1976-77.
e directors pointed out that
es and profitability in the
ond half of the year were
versely affected by strikes
and lock-outs; but for this, the results would have been better. Sales during the year ended August 1977 were around Rs 186.14 crores against Rs 183.91 crores in the previous year. The gross profit has come down from Rs 689 lakhes to Rs 518 lakhs. After paying Rs 451 lakhs for interest (Rs 459.91 lakhs), Rs 56.73 lakhs for depreciation (Rs 67.92 lakhs) and making other adjustments the disposable profit comes to Rs 62.68 lakhs against Rs 89.69 lakhs in the previous year.

Magnesite and Minerals

Magnesite and Minerals Ltd, a new company in the field of refractories and sanitarywares, promoted by Orissa Industries Limited (ORIND) entered the capital market on January 3, 1978 with a public issue of 359,860 equity shares of Rs 10 each and 5000 (11 per cent) redeemable cumulative preference shares of Rs 100 each all for cash at par. The project envisaging manufacture of 30,000 metric tonnes of dead burnt magnesite (DBM) at Chanda, Distt Pithoragarh (Uttar Pradesh) has already gone into production. In fact, 50 per cent of the total capacity has already been commissioned with the first shaft kiln having gone into production since early October, 1977.

The manufacture of DBM will be carried out at site by reduction process, thereby saving transport costs. DBM finds its use as a fettling compound and for making refractories used as construction materials for furnaces used in various metallurgical, cement, chemical and petrochemical industries. The entire issue is fully underwritten.

Mandovi Pellets

Mandovi Pellets Ltd promoted jointly by the Chowgules and the Steel Authority of India (SAIL), to set up a Rs 48-crore project for the manufacture of iron ore pellets, expects to enter the capital market shortly with a public issue. The company has secured a credit of Rs 24.73 crores from the equipment suppliers. It has also got an advance of Rs 12.73 crores from the consortium of Japanese steel mills, which will buy the pellets. The average interest rate for the entire loan works out to eight per cent. A similar exercise of financing wholly from Indian financial institutions would probably have resulted in average cost of 12 per cent per annum for the loans arranged.

Accumeasures Punjab

A new Rs 2.04-crore project for the manufacture of precision measuring instruments such as vernier calipers, micrometers, gauges and protractors, is being set up by Accumeasures Punjab Ltd at Mohali, about 8 kilometers from Chandigarh. The company has been promoted as a joint sector project by a technocrat, Mr Dipinder Singh Brar and Punjab State Industrial Development Corporation. It has entered into a technical-collaboration agreement with the PE Consulting Group Ltd, UK. The products to be manufactured by the company would be used widely in the sophisticated engineering industries, particularly where accuracy has to be maintained and where machining tolerances of exacting standards are required. Out of the instruments proposed to be manufactured by the company, only external micrometers and vernier calipers are at present being manufactured in India. Based on a survey conducted by Kirloskar Consultants on behalf of PSIDC, the company considers that there is adequate demand for the products proposed to be manufactured by it.

The company has already made significant progress in project implementation. The project cost of Rs 2.04 crores will be met by share capital (Rs 82 lakhs), and term loans (Rs 1.22 crores). The company proposes to make a public issue of 401,800 equity shares of Rs 10 each shortly.

Kirloskar Brothers

Kirloskar Brothers has suffered a setback in its working during the year ended July, 1977. While sales have increased from Rs 30.45 crores in 1975-76 to Rs 31.16 crors in 1976-77, the gross profit has declined sharply from Rs 131.91 lakhs to Rs 18.85 lakhs. After providing Rs 50.49 lakhs (Rs 40.64 lakhs) for depreciation, Rs 9.28 lakhs (Rs 7.82 lakhs) for investment allowance, and nil (Rs 24 lakhs) for taxation, there is a net loss of Rs 40.92 lakhs against the net profit of Rs 59.47 lakhs. After some adjustments, including a transfer of Rs 56.47 lakhs from the general reserve, the disposable surplus amounts to Rs 15.99 lakhs. An equity dividend of six per cent has been declared, against eight per cent for the previous year. Equity and preference dividends will absorb Rs 15.99 lakhs (Rs 20.08 lakhs).

The company's export business has continued to increase during the year. In the first four months of the current year, the overall production has increased. If all goes well, the company expects the production and sales to show a satisfactory increase in the current year and also an improvement in price realisation as a result of several steps being taken.

Dempo Dairy

Dempo Dairy Industries issued on January 2, 465,493 equity shares of Rs 10 each at par. The proceeds of the issue will be utilised for financing partly the Rs 2.80 crore milk food plant being set up at Asangi village in Bijapur district of Karnataka for the manufacture of milk powder, babyfood, weaning food and ghee. The plant will have a capacity to manufacture 2,080 tonnes of milk powder and other products and 850 tonnes of ghee and butter per annum. If the all goes well the company hopes to start commercial production during winter season of 1978.

The company would require about 50,000 litres of milk per day to achieve the optimum licensed capacity of its production. The state government has accorded its sanction to the reservation of certain areas of Belgaum and Bijapur districts as milk shed areas exclusively for the company.

One of the favourable features of the project is that in Bijapur district, the World Bank has already begun a programme to set up a number of cooperative milk producing societies, out of which quite a few will fall in the company's project area. At present there is a wide gap between the demand and supply of milk powder and babyfood. With increasing demand, the company does not envisage any problem to market its entire production. The project cost will be met by share capital (Rs 90 lakhs), term loans (Rs 1.60 crores), unsecured loans (Rs 10 lakhs) and cash subsidy and development loan from Karnataka government (Rs 15 lakhs).

Britannia Biscuits

The Britannia Biscuit Co will issue on January 31, 1.15 million equity shares of Rs 10 each at a premium of Rs 5 per share. The company is raising its equity capital by issuing 1.8 million equity shares of Rs 10 each at a premium of Rs 5 per share so as to bring down its non-resident shareholding to below 40 per cent. The proceeds of the issue will be utilised for financing the expansion of the company's activities and the proposed diversification projects. It has submitted proposals for several profitable projects and
is awaiting the necessary app
val of the government.

Perfect Circle

Perfect Circle Victor
reported an improvement
its working during the y
ended August 1977. Eq
dividend has been maintai
at 15 per cent and is pay
on increased capital, since
new shares issued last y
will be entitled to a full d
dend, against a pro rata d
dend last year. About 20
cent of the dividend for 197
is expected to be tax-free
the hands of sharehold
What is more, the progress
been maintained in the
four months of the cur
year and the management
pects higher production, s
and profits for 1977-78. S
have risen from Rs 2.76 cr
in 1975-76 to Rs 3.16 crore
1976-77. The gross profit
increased from Rs 38.40 la
to Rs 43.72 lakhs. After

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ing Rs 17.37 lakhs (Rs 10.83 hs) for depreciation, the ofit available for appropria- n is Rs 26.35 lakhs (Rs 17.58 chs). Dividends will absorb 18.75 lakhs (Rs 8.17 lakhs).

The company, which started anufacturing piston rings at Nasik plant in January 76 produced 2.8 million ngs during 1976-77. The com- ny's rings have been well cepted by the trade. These e also being supplied as ori- nal equipment to prestigious gine manufacturers in the untry. With market accep- nce of rings, the company s put into operation its cond line of machinery to able it to reach the produc- on capacity of over 18 million.

ter-continental eathers

Promoted as a joint venture / Tamil Nadu Industrial evelopment Corporation, eather Centre, Rumania— Rumanian government ndertaking—and Mr Subra- aniam, Inter-continental eathers is setting up a pro- ct at Ranipet (Tamil Nadu) r producing various types finished leather. The com- ny holds an industrial cense for manufacturing ove leather, garment leather, pper leather and lining ather. The primary raw aterial required for the pro- ct i.e. tanned and wet goat d sheep skins, is available competitive rates from the ighbouring tanning centres. eather Centre, Rumania, s undertaken to sell abroad per cent of the total oduction at competitive ternational prices, payment ing received in hard currency.

The project cost of Rs 1.20 ores is proposed to be met share capital (Rs. 40 khs), long-term loan (Rs 50 khs), medium-term loan (Rs 16 lakhs) and central government cash subsidy (Rs 14 lakhs). The company intends to enter the capital market shortly with a public issue of 196,000 equity shares of Rs 10 each for cash at par.

Kulkarni-Black

Kulkardi-Black and Decker issued on January 9, 169,993 equity shares of Rs 10 each at par, to raise a part of the finance for its Rs 95-lakh project for manufacturing electric power tools in technical and financial collaboration with the wellknown Black and Decker Manufacturing Co of the USA. The company holds an industrial licence for manufacturing annually 20,000 portable electric tools. The plant located at Shirol (Maharashtra) commenced trial production in October, 1977. The management does not envisage any difficulty in marketing its products. According to Mr Prakash A. Kulkarni, managing director, the company expects to achieve significant export sales of its engine reconditioning equipment through the Black and Decker group which has agreed to buy the first year's entire production.

Sayaji Mills

Sayaji Mills, Ahmedabad, has fared better during the year ended March, 1977. Sales have risen from Rs 17.42 crores in 1975-76 to Rs 21.94 crores in 1976-77. The working has resulted in a gross profit of Rs 84.20 lakhs against the loss of Rs 104.85 lakhs in the previous year. After providing Rs 36.01 lakhs (Rs 41.34 lakhs) for depreciation, Rs 4.34 lakhs (nil) for investment allowance, Rs 5.50 lakhs (Rs 8.17 lakhs) for gratuity and Rs 2.19 lakhs (Rs 1.76 lakhs) for taxation for earlier years, there is a net profit of Rs 36.07 lakhs against the net loss of Rs 156.12 lakhs. After adjustments, a deficit of Rs 30.22 lakhs has been carried forward.

The textile division showed improvement but not up to the management's expectations. Sales in this division were higher at Rs 8.32 crores against Rs 6.25 crores.

The maize and chemicals division showed satisfactory working during 1976-77. Its working in the current year has also been satisfactory. The tapioca factory in Kerala suffered owing to labour unrest and its closure for about five months.

Bimetal Bearings

Bimetal Bearings will issue on January 18, 4.25 lakh equity shares of Rs 10 each at a premium of Rs 10 per share which seems well justified by the net worth. The issue which is being made to dilute foreign equity will help finance partly the Rs 1.68-crore expansion programme. Repco Ltd of Australia and Could Inc. of the USA currently hold 50 per cent of the company's equity.

The company has been manufacturing thin wall bearings for the automotive industry since 1962. It produces strips at its plant in Madras for the bearings plant at Coimbatore. It supplies its products to original epuipment manufacturers, defence, state transport undertakings as also to the replacement market. Its present capacity of six million bearings, bushings and thrust washers is being expanded to 10 million. The strip mill capacity is also being expanded simultaneously.

Sales totalled Rs 4.49 crores during the year ended June, 1977 against Rs 3.92 crores in the previous year. The gross profit was higher at Rs 1.48 crores against Rs 1.35 crores. An equity dividend of 30 per cent was declared for 1976-77 on 8.50 lakh shares of Rs 10 each, which absorbed Rs 25.50 lakhs. According to Mr A. Sivasailam, chairman, sales in the first half of the current year (July-December 1977) have totalled Rs 1.76 crores against Rs 1.50 crores in the same period of the previous year. The pre-tax profit is higher at Rs 45.40 lakhs against Rs 29.51 lakhs. The sales target for the current year is placed at Rs 6 crores and the profit is expected to be around the last year's level. Barring unforeseen circumstances, the company hopes to declare an equity dividend of 25 per cent for 1977-78 and reasonable dividends thereafter. The new shares will rank for a pro rata dividend for 1977-78 on the amount paid-up.

Upper Ganges Sugar

Upper Ganges Sugar Mills Ltd has declared a taxable ordinary dividend of Rs 2 per share for the year ended June 1977. The gross profit, including balance brought forward from the last year and development rebate reserve no longer required written back, has amounted to Rs 1.03 crores against Rs 1.49 crores. Allocations include Rs 31.80 (Rs 46.41 lakhs) for depreciation, Rs 13.42 lakhs (nil) for investment allowance reserve, Rs 8.75 lakhs (Rs 30 lakhs) for general reserve, Rs 31.98 lakhs (Rs 54.50 lakhs) for taxation and Rs 16.32 lakhs (Rs 17.61 lakhs) for proposed dividend. The directors have also decided to make an application to the Controller of Capital Issues for issue of bonus shares in the proportion of one bonus share for every three ordinary shares held by capitalisation from general reserve.

RECORDS AND STATISTICS

British aid policy and India

India at present receives over a quarter of all British bilateral aid and Britain in fact is the largest bilateral net aid donor to India.

British aid is given under various heads, such as maintenance grants, mixed project grants, capital investment grants, sectoral grants and grants for debt refinancing.

Maintenance grants are available for the purchase by both public and private sectors of materials used as agricultural inputs and of raw materials, commodities, components and spare parts needed to maintain and expand existing productive capacity. The grants may also be used for the purchase of similar requirements for new projects. Expenditure under a particular grant agreement is not confined to the year in which it is signed and funds are allocated entirely at the discretion of the government of India.

Project Grants

British aid is also available to cover the cost of major items of machinery and equipment for large-scale projects. This is in the form of mixed project grants, which in the past have been used to finance, among other, large projects in key sectors of Indian industry: the naphtha cracker for the large petrochemical complex being built at Baroda by the Indian Petrochemical Corporation; the building of 75,000 dwt Panamax Class bulk carriers by Cochin Shipyard Ltd; the construction of the Salaya/Koyali oil pipeline in Gujarat by the Indian Oil Corporation; and the implementation of several fertiliser projects, including the very successful Indian Farmers Fertiliser Cooperative plants at Kalol and Kandla and the recently completed plants at Mangalore and Tuticorin set up respectively by Mangalore Chemicals and Fertilisers Ltd and the Southern Petrochemical Industries Corporation. Technical drawings and design and engineering services may also be financed from mixed project grants.

Capital Investment

Capital goods requirements and other associated costs incurred for new investment, such as consultancy and collaboration agreements, including licence and procurement fees, can be financed under the capital investment grants which are normally made available every year. These may be used for a wide range of purchases made by both public and private-sector undertakings.

Capital investment grant funds are allocated by the government of India and also by the Industrial Finance Corporation of India (IFCI) and the Industrial Credit and Investment Corporation of India (ICICI). In addition, allocations under the UK/India Capital Investment Grant agreement may be made by the National Small Industries Corporation (NSIC) to cover or help cover the sterling costs of imports sold by NSIC to small-scale enterprises, either on NSIC's normal hire-purchase terms or through such schemes as NSIC may operate in collaboration with banks and other financial institutions.

The sectoral grants for power and coal provide authority to the government of India to allocate substantial sums of British aid both for the maintenance and capital goods requirements of existing, on-going and new projects in those sectors. Among the many schemes financed under UK/India Sectoral Grants in the past have been the expansion
of the Bhopal plant of Bha
Heavy Electricals Ltd (BHE
the West Bengal State Elect
city Board's thermal pow
project at Kolaghat and lo
wall mining machinery
Bharat Coking Coal Ltd's c
liery at Moonidih.

The grants for debt refina
ing provide the government
India with untied free forei
exchange. The UK was o
of the first countries to rec
nise the need for such spec
relief, and since 1975 all Brit
aid to India has been in t
form of grants which do

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ave to be repaid. This new olicy was introduced despite ritain's own economic diffi- ulties.

To help make aid available as flexibly and quickly as possible, the procedures have been simplified considerably and currently the government of India exercises complete discretion over the allocation of more than 50 per cent of the total aid made available directly by the British government each year.

Guidelines for state governments under Urban Land Ceiling Act

Certain provisions of the Urban Land (Ceiling and Regulation) Act, 1976 have been criticised because of their disincentive effect on building activity in commercial areas, etc. The ministry of Works and Housing has considerd various steps to minimise these difficulties and has on December 20, 1977 issued guidelines in this regard to the state governments. The guidelines are given below.

ACANT LAND designated for ommercial use (i e business, ade, profession, cinema, otel, cultural institutions, etrol pump, etc) might have en obtained from govern- ental agencies like housing oards, improvement trusts, unicipalities or development thorities, or from sources her than governmental or mi-governmental agencies. ate governments have been vised to exempt such excess cant land in the public inte- t under Section 2 (1) (a) on following conditions:.

i) The land has been obtain- for commercial use or con- rted to commercial use not ore than five years before the mmencement of the Act;

ii) the use of the land and construction of the building reon conform to the master n/redevelopment plan/buil- g regulations, FAR or FSI ulations, etc;

iii) the proposed construc- n is in the public interest;

iv) the construction is npleted within a reasonable iod to be specified by the e government in the exemp- order;

v) no transfer of the land by sale, gift, lease or otherwise can be made without the previous permission of the state government. (However, there is no objection to mortgage without possession to support a loan from a bank or financial institution);

(vi) the transfer of the building which has been constructed or any portion thereof should be regulated according to the terms on which the land is held and the other terms, if any, governing the allotment of the land by the governmental/semi-governmental agency should be complied with; and

(vii) if any of these conditions is violated or if the state government requires for its own use the exempted land on which no construction has commenced, exemption may be withdrawn.

The ministry has also advised state governments that where aesthetic or environmental considerations or the layout plans of certain areas or their substantially built up character make it undesirable to divide the excess land and construct on it, as it is likely to create slum conditions, they (state governments) may grant exemptions under Section 20(1) (a) of the Act on the condition that such lands are not transferred or put to any other use.

Agricultural land exempted

The union government has also issued comprehensive guidelines to state governments for the exemption of agricultural land from the Urban Land Ceiling Act and also laid down the conditions on which the competent authority may permit a person under Section 21 to retain his excess vacant land for construction of dwelling units for the weaker section of society in urban agglomerations.

The guidelines for exemption of the agricultural land have been issued to give incentive for the improvement of land for agricultural purposes, to enable the land holders to hypothecate their lands to raise loans for cultivation and also avoid outlays by state governments without immediate return. The details of the guidelines are as follows:-

State governments have been advised to exempt in the public interest under Section 20(1) (a) of the Act lands used for agriculture and entered in the land records before the* "appointed day" as being so used, even if they are designated in the Master Plan concerned for a purpose other than agriculture, on the following conditions:

(i) The land should actually be used for agriculture;

(ii) when the land is proposed to be used for any other purpose, the state government and the competent authority concerned must be informed in advance;

(iii) the land should not be transferred by sale, gift, lease or otherwise, without the previous permission of the government nor can it be sub-divided and sold. (It can, however, be mortgaged without possession to get a loan from a bank or financial institution); and

(iv) if any of these conditions is violated or if the state government requires the exempted land for its own use, the exemption may be withdrawn.

The conditions on which a competent authority may permit a person, under Section 21 to retain his excess vacant land for construction of dwelling units for the weaker sections of society are as follows:

(1) The construction of dwelling units for the accommodation of the weaker sections of society in the vacant land must be consistent with the Master Plan for the area, or, if there is no Master Plan, with any

---

*"Appointed day" means for Andhra Pradesh, Gujarat, Haryana, Himachal Pradesh, Karnataka, Maharashtra, Orissa, Punjab, Tripura, Uttar Pradesh, West Bengal and the Union Territories of Chandigarh and Delhi January 28, 1976, for Assam March 25, 1976, for Bihar April 1, 1976, for Madhya Pradesh, September 9, 1976, for Manipur March 12, 1976, for Meghalaya April 7, 1976, for Rajasthan March 9, 1976 and for Pondicherry July 15, 1976.

directions the state government may give for land use in the area.

(2) At least half the total number of dwelling units to be constructed under the schemes must have a plinth area less than forty square metres.

(3) The construction of the dwelling units must be competed within five years.

(4) (i) The dwelling units may be sold by outright sale or on hire-purchase or can be let out on rent to people in the weaker sections of society.

Terms for Sale

(ii) Where any dwelling unit is sold outright, the sale price should not exceed the actual cost of construction of the dwelling unit plus the amount payable under the Act for the land occupied by the dwelling unit and its appurtenant land if it were acquired by government plus 15 per cent on the cost of construction and land.

(iii) For dwelling units sold on a hire-purchase system, the sale price will be the sum payable under the preceding sub-para plus 10 per cent interest on the unpaid part of the sale price.

(iv) For dwelling units let out on rent, the rent will be worked out in such a way that the return will be limited to 10 per cent of the sum determined under sub-para (ii).

(v) Between the date of permission by the competent authority to utilise the land and the date of completion of the dwelling units, no transfer of the land is allowed. There is no objection to mortgage it without possession to a bank etc for obtaining a loan for the purpose of construction.

(5) The period of submission of declarations under section 21 has been extended by a year to give time for the preparation of plans, etc. This means that in the states in which the Act commenced on February 17, 1976, declarations must be submitted by December 31, 1978. In those states which adopted the Act later, declarations must be submitted within 1049 (one thousand and forty-nine) days from the date of commencement of the A in these states.

The terms have been notifie in the Gazette of India, Extra ordinary dated December 1 1977.

Upper Ganges Sugar Mills Limited

NOTICE

Notice is hereby given that the Forty-fifth Annual General Meeting of Upper Ganges Sugar Mills Limited will be held on Monday, the 30th January, 1978 at 2-30 P.M. at 9/1, R.N. Mukherjee Road, Calcutta-1 for the following purposes:

1. To receive and consider the Report of the Directors and to adopt the Audited Accounts of the Company for the year ended 30th June, 1977.
2. To declare dividends.
3. To elect Directors in place of Shri P.K. Khaitan, Shri B.N. Jhunjhunwala and Shri K.N. Saraogi who retire by rotation and being eligible offer themselves for re-election.
4. To appoint Auditors and fix their remuneration.

As Special Business:

To consider and if thought fit to pass with or without modification the following resolutions as Ordinary Resolutions:

5. Resolved that contributions for scientific research and donations for charitable purposes made during the year ended 30th June, 1977 in excess of Rs 7 lacs be and are hereby ratified and confirmed.
6. Resolved that subject to the sanction of the Controller of Capital Issue and subject to the conditions, if any, prescribed by him or change in the quantum of the issue and agreed to by the directors of the Company a sum Rs 24,51,630 forming part of the Company's General Reserve of Rs 3,03,00,000 be capitalised and applied in paying up in full at par 2,45,163 Ordinary unissued shares of Rs 10 each in the capital of the Company. Such shares shall be appropriated as capital and distributed as fully paid bonus shares to and amongst the holders of the existing ordinary shares of the Company as appearing in the register of members of the Company on such date as may be fixed by the directors in proportion of one new ordinary share for every three existing ordinary shares held by them and so that:

(i) the Ordinary shares to be so distributed shall confer on the holders thereof such rights including rights to dividends as may be determined by the Board in its discretion and shall be treated for all purposes as an increase of the capital of the Company held by every holder of ordinary shares and not as income;

(ii) any such ordinary shares representing fractional entitlement shall be allotted to such person/persons as Directors may decide for the purpose of selling the same and distributing the net proceeds pro-rata amongst the persons entitled to fractional allotment in the proportion in which they would be so entitled;

(iii) no allotment letters shall be issued but certificates in respect of bonus ordinary shares shall be completed and despatched by registered post within three months from the date of allotment;

(iv) subject as aforesaid, the directors be and are hereby authorised to give effect to this resolution and prescribe variou documents and take al necessary action in respect of the issue and allotment and distributio of the aforesaid Bonu ordinary shares and settl any question or difficulty whatsoever (including any question or difficulty which may arise in connection with any deceased or insolvent shareholder or any shareholder suffering from any disability) as they may think fit:

(v) and it is further declared that subject to unforeseen circumstances, the first annual dividend on the expanded capital shall not be less than 15% and the intention of the directors in that behalf is hereby approved.

By Order of the Board,
J.K. CHOUDHURY
Secretary

9/1, R.N. Mukherjee Road,
Calcutta-1, the 28th December, 1977.

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
2. Shareholders are requested to notify any change of address failing which the dividend warrants will be posted to their address as registered with the Company.
3. The Register of Members of the Company will remain closed from the 20th January, 1978 to the 30th January, 1978 both days inclusive.

Explanatory statement as regards items No. 5 and 6 has been sent directly to the shareholders.

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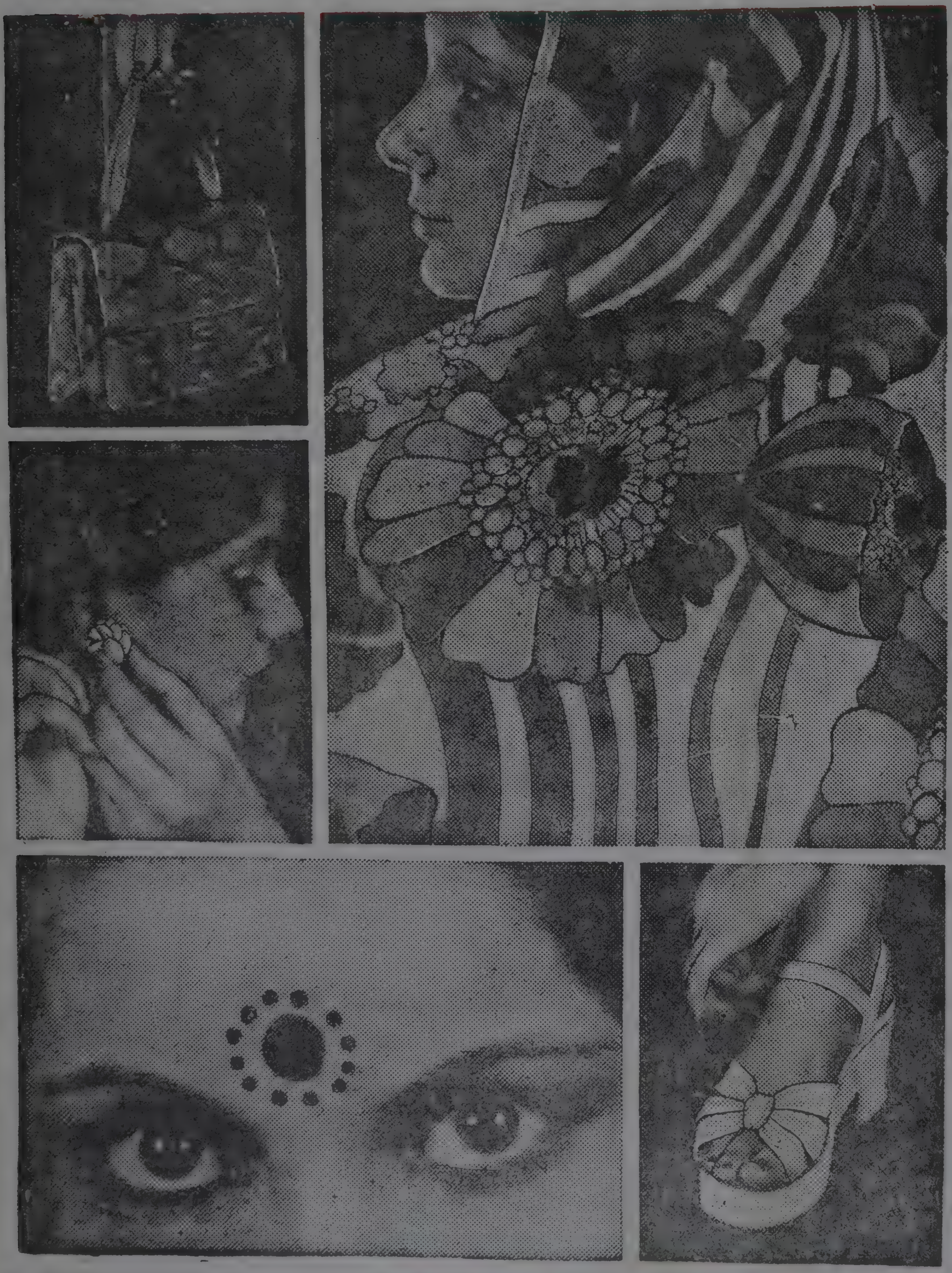

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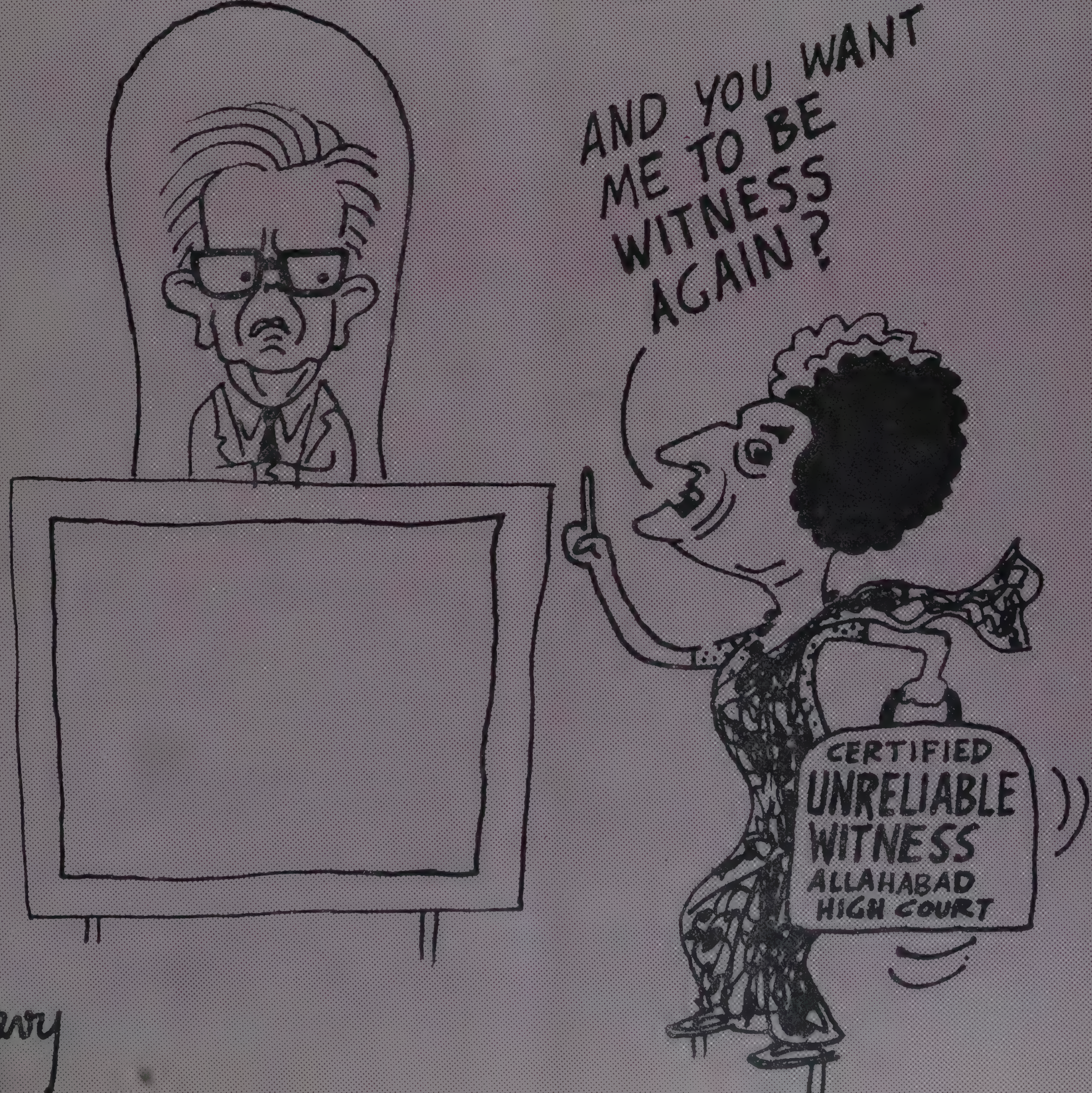
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Buy British

As BEFITS the prime minister of a nation of shopkeepers, whose spell of imperial glory was necessarily a passing phase, Mr James Callaghan had concentrated his business in India on his country's trading interest. Whether in his public statements or in his private talks, he lost no opportunity of pressing his point that India should buy more British. He showed some concern over his country's deficits in its trade with India and urged New Delhi to apply an immediate corrective by placing an order with Britain for the Jaguar deep-penetrating aircraft, which could meet important requirements of our aerial defences.

Armaments have been a profitable growth industry in the west and countries such as the US, the USSR, France, West Germany, Britain and Belgium have done themselves proud by exporting military hardware to countries all over the world. The international armament business got its most recent boost when certain Gulf countries resolved to invest in what they considered to be their future by spending large wads of their petro-dollars on the most sophisticated weapons systems which the arsenals of the super powers and their allies or the armament industries of the advanced countries have to offer for cash, credit or strategic considerations. In this competitive hawking of the machines and munitions of war Britain has often found itself beaten not only by the Americans but also by some of the countries in western Europe, particularly France and Mr Callaghan's interest in doing some sales talks for Jaguars while in Delhi reflects not only his wanting to do something about Britain's trade deficit with India but also his government's enthusiasm for Britain sharing more significantly in the global weapons business. The Jaguar talks also had the additional meaning that Britain's aircraft industry could do with all the business that it might secure or that could be secured for it.

It is one of the ironies of the times in which we live that trading in conventional weapons, whether the buying of it or the selling, is considered, if not a virtue, at least an act of making a virtue of necessity. No such comfort, spiritual or other, is available where nuclear weapons are concerned and Mr Callaghan's visit to New Delhi would not have been complete had he not discussed—as indeed he did—the Indian stand on the Nuclear Non-proliferation Treaty. Mr Desai had been doing or re-doing his homework for some time and it was of course not to be expected that Mr Callaghan would have secured the relaxation of Indian policy which the US president, Mr Jimmy Carter, had sought in vain not many days earlier. In this context, *The Guardian* story of yet another famous British victory naturally had a life even shorter than the day's issue of a newspaper and the only result of this speculation in the British press was that it created an occasion for Mr Desai to reaffirm at a news conference in New Delhi that the major initiatives for the outlawing of nuclear armaments had necessarily to be taken by the powers which had already armed themselves with nuclear weapons.

Mr Callaghan said again and again that he wanted more British businessmen to do more business with and in India. So far as trade is concerned, India's imports from developed countries, including Britain, could rise as far as its government and businessmen succeed in learning how to utilize properly and speedily the increases in the country's external reserves. The industrial countries of course are competing furiously among themselves for shares in international trade, including trade with developing countries. Until recently Britain's place in this competition was not too impressive. But, currently the appreciation of the D-mark and the deceleration of inflation in Britain have improved the trade position, although British firms, plagued with trade union troubles, have yet to show that they could be depended upon for supplies and delivery dates. As for British investment in Indian industry, the actual situation is that some disinvestment has taken place recently and more is in the offing. With the repatriation of British capital from FERA companies, that country's investment presence in India is bound to diminish, unless there is a systematic reinvestment in new industries of the capital which is being dislodged from the existing FERA companies. This is a subject which could do with some constructive consultations among the governments and the business communities of the two countries.

Britain's Labour government is obviously proud of its aid policies. This is not without justification. There has lately been a sharp swing from loans to grants and, although Britain is by any means the largest dispenser of global aid, it is now the largest net donor of bilateral aid to India which receives over a quarter of all bilateral aid given by Britain to various developing countries. A notable feature of British aid policy towards this country is that the government of India exercises complete discretion over the allocation of more than 50 per cent of the total aid made available directly by the British government.

Dramatising his government's increasing interest in this area, Mr Callaghan endorsed the proposal that Britain might "adopt" a total of 100 villages distributed among 10 states in India by supplying fertilizers worth £30 million over a three-year period. The proceeds from the sale of these fertilizers would be used by the Indian government for programmes of rural development in those villages. Mr Callaghan's other offer, which was that Britain might participate in the survey work on the rivers flowing through India and Bangla Desh and also associate itself with the development of the river valley systems in the eastern region, ties neatly with one of the current Indian concerns. But this has not prevented certain quarters from making insinuations that perfidious Albion is trying to reintroduce its presence in a sensitive part of the subcontinent. Mr Morarji Desai, however, has promptly squelched the mischief-mongers and has affirmed India's confidence in its ability to do business with other countries on equal terms. This is as good a note as any on which New Delhi's diplomatic experiences since the turn of the year could be summed up.

The end of the tunnel?

DESPITE THE general slowing down of the rate of industrial growth this year, resulting in reduced traffic of general goods, iron ore and finished products from the steelworks, and the cyclone in Andhra Pradesh and Tamil Nadu seriously affecting the traffic on the railway network in those states, the finances of the railways continue to be in good shape. The originating goods traffic up to the end of November is understood to have been of the order of 136.50 million tonnes—two million tonnes more than during the corresponding period last year, but somewhat lower than the proportionate budget estimate. Two very significant developments, however, have helped the railway earnings during these eight months to register not only a substantial improvement over the revenue during the corresponding period last year but also to exceed the proportionate budget estimate. In comparison with the earnings last year, the revenue up to November this year around Rs 1,386 crores has been higher by about Rs 81 crores. It has surpassed the proportionate budget estimate by about Rs 14 crores.

The heartening developments have been (i) the growth in passenger traffic around 5.7 per cent exceeding the budgetted growth of about 3.5 per cent; and (ii) a significant increase in the traffic lead from 673 kms last year to approximately 710 kms. The earnings from passenger traffic are understood to have exceeded the proportionate budget estimate by nearly Rs 13 crores and those from goods traffic by about Rs 2 crores. The other miscellaneous receipts have shown a slight downtrend. The earnings from passenger traffic have grown all-round, both from the suburban and non-suburbun traffic—in the former case by nearly 6.43 per cent and in the latter by approximately 4.9 per cent. It is difficult to say whether the increase in the earnings from this source has resulted from actual growth in t passenger traffic or from the concer efforts being made to contain ticketl travel.

Even though due to the effect of t cyclone and the slower-than-expect growth of the economy, the railwa might not be able to have the budgett revenue-earning goods traffic of 2 million tonnes—despite the trends af November showing signs of pick-up in t economy—the helpful trends in the pa senger traffic and the growth in the le of overall traffic have created a sense optimism that the current year's gro earnings might somewhat exceed the Ju estimate of Rs 2,110.24 crores. The n surplus after meeting all expenses, inclu ing the dividend to the general revenue might show a substantial increase fro the budget estimate of Rs 32.5 cror to over Rs 85 crores. This is because the fact that the strenuous efforts bei made for effecting economies in expend ture are yielding wholesome results.

costs contained

Particular mention may be made in th respect to stringent inventory contro fixing of revised norms for the consum tion of fuel, particularly coal, and str adherence to the revised norms and co taining of the proliferation of staff. De pite a marked increase in the recei from passenger traffic and introduction new passenger trains, the overall additi to staff strength this year is understood have been no more than 1.5 per cent. T current inventories of the railways a stated to be much lower, in spite of t enlarged operations. As a result of the measures, the operating costs vis-a-v gross revenue may turn out to be arou the last year's level of 84.4 per cent, against the June estimate of 86.6 per cen Significantly enough, the last yea operating ratio has actually turned out be 84.4 per cent, as against 86.4 per ce according to the revised estimate for t year and 87.7 per cent estimated at t time of presentation of the 1976-77 budg This compared with 91.9 per cent opera ing ratio for 1975-76, which was t highest recorded since 1950-51. This abundant evidence of the energetic effo that are being made by the railw dministration to improve its performance, which had been grievously affected or several years prior to 1976-77, when he railways showed considerable shortalls in their earnings to meet the dividend iability to the general revenues and were bliged to run up indebtedness to the eneral exchequer to the tune of over Rs 480 crores.

reduced indebtedness

This year's budget speech of the Railway minister, Mr Madhu Dandawate, had estimated that the indebtedness of he railways to the general revenues would have been brought down at the end of the current financial year to Rs 440 crores in view of the surplus during the last year going up to as much as Rs 65 crores from he original estimate of Rs 8.98 crores and the revised estimate for the year of Rs 35.67 crores and the current year yielding a net surplus of Rs 32.5 crores. Actually last year's surplus is now estimated at as much as Rs 88 crores. If the expectations of this year's surplus going up to over Rs 85 crores materialise, the railways, indeed, will be in the happy position of bringing down their indebtedness to the general exchequer much more markedly than was envisaged in June last.

The expenses this year are expected to be contained to a level lower than the budget estimate, even though several crores of rupees have had to be spent by the railways on replacement works in the cyclone-affected areas. That the economy measures are envisaged to be pursued vigorously should be evident from the reorganisation of the Railway Board effected early this month by Mr Madhu Dandawate in terms of the suggestions of the Administrative Reforms Commission. The Railway board now has only five members, including the chairman. It is assisted by three advisors who do not form part of the board. This compares with the earlier strength of board of five regular members and eight additional members. Under this reorganisation, the general managers of zonal railways have been provided more powers. They now need not wait for sanctions from the board for every thing, including the expenditure on even petty items. The powers of the general managers have been enhanced considerably in regard to the implementation of work programmes, accident compensation, disposal of assets, writing off of losses and ex-gratia payments to dependents of employees. They will be able to sanction new works costing up to Rs 20 lakhs, against the earlier limit of Rs 10 lakhs. Out of turn works can now be sanctioned by them up to Rs 2 lakhs on track renewal and up to Rs one lakh for passenger amenities. They have been authorised to sanction line capacity works up to one crore of rupees in a financial year. Thought is being bestowed on the devolution of powers further down on the zonal railways.

The developmental works of the railways are stated to be progressing according to schedule, with the result that their capacity to carry goods and passenger traffic is expected to remain at least as comfortable as at present. In regard to goods traffic, the current registrations for wagons are said to be being met fully and there are no bottlenecks in carrying this traffic. Some slight shortage, of course, is being experienced in the case of covered wagons. This is hoped to be overcome soon.

The railways expect that their next year's development programmes will be catered for in respect of resources allocation by the Planning Commission in a somewhat better way than has been the case this year, when their plan was curtailed from Rs 501 crores to Rs 480 crores in view of limiting the overall size of the 1977-78 Plan to match the resources in sight. It, however, remains to be seen how much increase will be allowed in the railway Plan next year, as the deficit in the central budget is estimated to be larger than envisaged.

The railways, of course, are bestowing a good deal of thought on modernisation so that productivity can be improved on a continuing basis. A 15-year perspective programme is being drawn up for computerisation. It envisages progressive

Telephone Racket

During the recent P&T week celebrations, the authorities seem to have overlooked the important public grievance of excessive billing by the Telephone department. These complaints have increased of late. Cyclostyled replies that the meter is found to be in order is the typical response from the Telephone department to customer protests.

Reasons for overbilling are: First, bad maintenance of exchange equipment. Being a beneficiary of its own inefficiency, the department has no motivation to set things right by itself.

Second, subscriber trunk dialling, foisted on all subscribers, is working inefficiently. Even after the receiver is put back on the rest after an STD call, the meter continues to work at the same pulse rate for metering till the next call is made! Most of the subscribers would do well to get STD cut off by paying Rs. 50 and thus deprive the Telephone department of a standard excuse that the high bill is due to STD use!

Third, corrupt staff members watch meters of subscribers who go away from their house on work or vacation, and use them to record trunk calls (mostly time calls) of other subscribers whom they induce to pay money to themselves rather than the department. It is desirable to inform the department in writing when going away on vacation and seek meter reading.

If the department is unreasonable on excessive billing, it should be taken to a court of law on grounds of violation of natural justice. One subscriber in Bombay did this in 1977, and the Telephone department immediately withdrew the bill as it could not face the court.

I have published a small leaflet on excessive billing, giving the writ petition. Interested subscribers can get a free copy by sending immediately a self-addressed 25-paise stamped envelope to M.R. Pai, "Piramal Mansion", 235, Dr. Dadabhai Naoroji Road, Bombay 400 001.

M.R. Pai

introduction of on-line and real-time control systems, and a sophisticated management information system, using bigger and more versatile computers in place of the existing old and obsolecent machines which in any case need replacement. The new computers will expedite processing of the massive volume of data and produce purposeful management reports for day-to-day administration of operations and future planning. Computerisation, however, is not contemplated in areas where manual methods are reasonably efficient. The objectives are to maximise utilisation of expensive assets, increase customer satisfaction and facilitate research and development.

A number of key areas for further computerisation have been identified. These include: (a) monitoring and controlling of the flow of different streams of traffic to avoid bottlenecks in yards, at transhipment points and in the terminal goods stations; (b) locomotive power and crew scheduling; (c) yard management; (d) empty wagon distribution in the most optimum manner within the constraints of priority loadings; (e) time-tabling for both passenger and goods trains; and (f) on-line and real-time control of both passenger and goods trains. The development of an efficient management information and control system is aimed at having a close inter-relationship between the objectives of the organisation, its structure and the decision-making processes. Passenger amenities are proposed to be accorded high priority.

In view of the encouraging outlook for railway finances, the general freight and fare structure may not be tampered with much during the next year. However, although the indebtedness of the railways to the general exchequer still remains substantial, some relief in passenger fares for long-distance travel seems to be indicated as these fares have been put up sharply during the recent years.

Jute and George

THE DISCUSSIONS held in Calcutta on January 12 by Mr George Fernandes, the minister of Industry, with the representatives of the Indian Jute Mills Association (IJMA), the trade unions, and the government of West Bengal enabled him to have a better idea of the difficulties confronting the jute mills but no decisions could be taken owing to the wide differences of opinion between industry and government and between industry and labour. Mr Fernandes clarified that there was no shortage of raw jute at present nor was it likely to arise in the immediate future. He said that the production of raw jute in the current year was 68 lakh bales and the carry-over was 10 lakh bales. The trade union leaders also denied the existence of fibre scarcity. The IJMA, however, maintained that the crop was of the order of only 65 lakh bales and the carry-over stock was 6 lakh bales and it suggested that the available fibre should be distributed on the basis of spindleage and that there should be cut-back in production without causing any unemployment. The minister did not seem convinced with these arguments and he said that he would announce the government's decision on these matters in the next few days. But it seems strange that even though the jute mills have been in existence for over 100 years, it has not been possible for the industry and the government to estimate the availability of fibre with reasonable accuracy. In the past, sharp differences often arose between government and industry over the supply of fibre, which sometimes resulted in severe shortage, necessitating costly imports. In the 1975-76 season, despite an import of about four lakh bales of jute and mesta, the supply position remained unsatisfactory. Mr Fernandes has expressed his firm opinion that imports are not necessary at present. But has he satisfied himself that the industry will have no difficulty in getting adequate quantities of the fibre especially of the superior qualities needed for producing hessian and carpet backing?

Mr I.K. Kejriwal, the IJMA chairman, told the meeting that "some mills ha been using unfair methods and doing lot of illegal things" in regard to t consumption of raw jute. When Fernandes asked him to give all the re vant information in this regard in hours, he declined to do so, saying th "thieves have their own morality". Fernandes should have asked the Ju Commissioner who was present at t meeting how mills could indulge in hoar ing and other illegal activities on a larg scale if his office maintained proper vig lance and functioned efficiently.

blissful ignorance

The Jute Commissioner's office and t Jute Corporation not only do not have a clear idea of the production of raw ju but they do not even seem to know ho exactly the supply of the available fibre distributed. Mr Fernandes should see it that both these offices are reorganise properly and they are staffed with pe sons who are fully acquainted with th working of the jute industry and trade.

The government of West Bengal ha suggested to Mr Fernandes that in futur raw jute stocks should be regulated b bank credit control. The details of th scheme have not been disclosed. But is relevant to note that, in the past, th industry had to experience considerabl difficulty in getting bank loans for th purchase of raw jute. In 1976-77, fo example, the Jute Corporation had planned to buy about eight lakh bales whic amounted only to 10 per cent of the crop The industry was expected to lift 26 lak bales with its own finance, leaving a balance quantity of 20 lakh bales out o the 55 lakh bales which were estimated t arrive in the up-country markets in the peak period. The IJMA had suggested that arrangements should be made for an additional credit of Rs 68 crores and that this should be released to the mills without any margin so as to facilitate the purchase of raw jute on a massive scale. But the Reserve Bank did not act promptly in meeting the industry's requirements. In this background, it is necessary to ensure that in enforcing the stock limits of raw jute, difficulties are not created for

mills by delaying or denying them
equate credit.

The government of West Bengal has
ggested that it should be closely asso-
ated with the take-over of the sick units
the centre and their management.
r Ashok Mitra, the Finance minister,
cently criticised the nationalised banks
r demanding guarantees from the state
overnment for the loans offered to some
ck jute mills for their revival. Dr Mitra
escribed this demand as "absurd and
udacious" and suggested that if any
uarantee was needed, it should be pro-
ded by the central government which
ad taken over the management of these
ills. Dr Mitra has a good case in ask-
ng to be consulted by the central govern-
ent in running the sick mills. But the
ore important point to be considered
what steps are being taken by the state
overnment to prevent more jute mills
rom falling sick. The power crisis in the
tate has sharply deteriorated in recent
weeks mainly because of the fierce inter-union rivalry which the government has not been able to tackle effectively. On the day when Mr Fernandes arrived in Calcutta, the city experienced very extensive load shedding but the power situation did not figure in the discussions with the jute industry. It is not known to what extent the power crisis has affected the output of jute goods and inflated the costs of production. The government of West Bengal should deal with this matter with firmness and imagination and see to it that industries are assured of adequate supply of power or at least are not subjected to heavy and erratic load-shedding.

Mr Fernandes suggested that an "in-depth study" of the jute industry, covering the areas of development, financing and control was necessary and that it might be undertaken by any of the existing institutions or by a special committee. The minister should be aware that in recent years numerous committees have studied the jute industry's problems from every angle but its difficulties continue to remain as acute as ever. The industrial policy statement of the Janata government has said that every effort will be made to speed up decisions because the costs of delay are heavy and the country cannot afford them. The statement has assured that "swift progress should be our watchword". It seems surprising therefore that Mr Fernandes should resort to the traditional dilatory tactics of appointing a committee to deal with the jute industry's problems. These and their solutions are already well known to the government and what is wanted at present is prompt decisions and their effective implementation. Meanwhile, the IJMA should set its house in order and conduct itself in a more responsible and energetic manner so that its views carry greater weight both in New Delhi and in Calcutta.

RECORDS AND STATISTICS

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CAPITAL'S CORRIDORS

C. Raghavan

Mrs Gandhi dares the Shah Commission • India and the NPT • Desai on deficit financing • Janata opportunism

THE SHAH Commission, now in the second stage of its work, had a confrontation with the former prime minister, Mrs Indira Gandhi, in an unsuccessful effort to make her testify. The commission ultimately remitted the issue to the courts and in the process it seems to have ensured that the entire gamut of the legal controversy over the commission's work and procedures will ultimately land in the Supreme Court.

Passing from the investigative to the inquiry stage, the commission had issued summons to Mrs Gandhi under Sec 5 of the Commissions of Inquiry Act to appear before it and testify on twelve issues. Simultaneously it also issued notices to Mrs Indira Gandhi under Sec 8 B of the Commissions of Inquiry Act, implying that the proceedings before the commission involved her conduct and would affect her reputation and she could defend herself by cross-examining witnesses or producing evidence on her own behalf.

objectives questioned

The two "simultaneous" summons and proceedings were questioned by Mrs Gandhi through her counsel, Mr Frank Anthony, who also took the opportunity to assail the commission, its inquiry, the objectives of the inquiry and the procedures.

After two days of arguments, involving at times sharp exchanges between Mr Anthony and Mr Justice Shah as well as between Mr Anthony and government counsel Mr Lekhi, Mr Shah ruled against Mrs Gandhi on all points. He ruled that she must testify before him, that she must first be examined on oath and answer the questions of Mr Shah, explaining her side of the case, and only thereafter she could through her counsel cross-examine witnesses who had deposed against her or lead evidence in her own favour. Through two days of arguments, with Mr Anthony deploying all his sarcasm and diatribes, Mr Shah stuck to his ground and would not budge.

sarcastic remarks

While Mr Shah pointed out at one stage that if he were to adopt the procedures suggested by Mr Anthony he would be spending not one but one hundred life times, Mr Anthony at another stage made sarcastic comments on the expedition of the commission—a letter from Mrs Gandhi raising certain points delivered at 4 p.m. one day, he noted, had brought a reply to her house by five p.m.! Mr Anthony also made great play of the fact that the audience at the hearings were in a sense participating in the proceedings by their cheers and jeers. Mr Shah repudiated any responsibility, noting that he had repeatedly told the audience not to do so but said he was helpless beyond this. Mr Shah did not explain why he did not enforce discipline in the only way courts do, namely, clearing the hall of spectators who do not observe discipline.

But all these passages at arms, were subsidiary to the main issues posed by Mrs Gandhi and her counsel: Firstly, she was the main target of the inquiry and as such she could not be expected to reveal her defence or lay out her case before she had an opportunity to cross-examine the witnesses against her. Secondly, the commission could not compel her to tes on oath and subject her to cross-exami tion and state her case once it had alre reached conclusion that she had a case answer and had issued notice under 8 B of the Act. Thirdly, the commiss could not inquire into the nature of advice tendered by any minister to president. Fourthly, no minister, hav taken the constitutional oath of secre could testify on matters that came wit his or her knowledge as a result of his her office.

Mr Shah's order

Mr Shah ruled against Mrs Gan on all the points, and after going throu the motions of asking her once ag to testify and recording her refusal Mr Shah did this after the commissio counsel Mr Khandalawala reminded h of the need to go through these motions the commission ordered that complai should be filed against Mrs Gandhi bef the appropriate magistrate to the eff that she had committed an offence un Sec 179 of the IPC.

In refusing to testify, Mrs Gand insisted that she was not legally a constitutionally bound to do so and th she was bound by her oath of secrecy. the course of the proceedings, the co mission conceded one of the points, name that one of the issues she had been call upon to answer (her conduct between Ju 12 and June 26, 1975) was vaguely word but said this was due to a typographic error. A new summons has been issued her on this issue but Mrs Gandhi, wh has to appear before the commission, expected to go through the same motions

One result of the filing of the crimin complaint is that the issues raised by M Gandhi may now go all the way up to th Supreme Court. It would have been ope to Mr Shah merely to have recorde Mrs Gandhi's refusal to testify and pro ceeded thereupon to draw an advers inference in law against her on all th issues. If he had done that perhaps M Gandhi might not have been left with to much room for legal manoeuvrings. Fo even if she had gone to court, under Art cle 226 or Article 32, questioning the pro cedures, the issuance of a writ being i the nature of a discretionary right, may c ay not have been granted by the courts. ut now that she is facing penal charges, er conviction must involve juridical pro- ouncements on many of the points raised y her and the courts cannot avoid the sues. No court has so far really interpret- d and laid down the implications of the onstitutional oath of secrecy and whether could be breached or whether any law r courts acting under law, could com- el a minister to break his oath. Also, e courts have not interpreted the ffect of Article 74(2) that stipulates that dvice tendered by a minister to the presi- ent "shall not be inquired into in any ourt". Another issue that would come up also the full import of Article 20(3)— rotection of an accused against self- crimination. The implications or validity f the provisions of the Commissions of nquiry Act in so far as they come into onflict with these constitutional provi- ions would have to be pronounced upon y the Supreme Court. Mrs Gandhi's efusal to testify would attract Sec 179 nly if Mrs Gandhi was "legally bound" o do so. Is she "legally bound" by the rocesses of the commission in the face f the constitutional provisions?

* *

The prime minister, Mr Morarji Desai, ttempted to set at rest speculations, uelled by overseas press reportage in the vake of the Carter and Callaghan visits, bout a 'shift' in India's nuclear policy. hese speculations gained currency follow- ng the reported views of Mr Callaghan hat where Mr Carter had failed he had nanaged to soften Mr Desai's attitude owards accepting full international nspection and safeguards.

At his press conference, Mr Desai said ndia would have no problem about ccepting 'full-scope' safeguards provided e United States and Soviet Union decid- d not to go in for nuclear explosions of ny kind, agreed not to add to their ex- ting nuclear arsenals and to gradually educe their stockpiles. Mr Desai explain- d that UK, USA and USSR were now onsidering and discussing nuclear issues nd had given out hopes of coming to an greement. "If they decide not to have ny tests, peaceful or otherwise, and if ey do not add to their arsenals and also me to agreement to have reduction—gradual reduction—with a view to complete destruction of atomic weapons, then there is no difficulty in my accepting safeguards", he said. Asked about China and France (which are not parties to the Moscow Test Ban treaty, and are not participants in any kind of disarmament negotiations), Mr Desai suggested that if the other three came to an agreement he was sure France and China would also come in later.

shift in policy?

Though Mr Desai denied there was any shift in the Indian position, it is noted that the fact that he was willing for the moment to ignore the 'intransigence' of China and France on the nuclear question is itself a shift in the Indian policy. India was one of the first to sign and ratify the Moscow Test Ban treaty under which the three nuclear signatories, UK USA, and USSR solemnly committed themselves to negotiate (in good faith) to ban underground tests and take other steps towards nuclear disarmament. Not only did they fail to do so, but added on to their weaponry, both in quality and quantity, and failed to take note, other than for a mere formal regret, of French and Chinese failure to ban tests.

After China began her nuclear programme in August 1964, India took note of the security threat to her interests, and both under Lal Bahadur Shastri and Mrs Indira Gandhi, government spokesmen in international forums gradually made clear that India would sign international agreements only if all the nuclear powers came in. This India did even when announcing her national decision not to go in for nuclear arms. One view in New Delhi is that there is merely a tactical shift and that Mr Desai has taken his present position in the knowledge and belief that the US and USSR will not take the steps he called for without being sure of France and China.

On the question of US nuclear fuel for Tarapur, Mr Desai made clear that the government of India would hold the United States to its treaty commitment to supply enriched uranium for a period of thirty years. While the visiting US senators, and now president Carter, have made clear that the US Congress would enact laws putting restrictions on US shipments of uranium fuel to countries not accepting 'full-scope safeguards' or signing NPT, Mr Desai insisted that the US domestic laws could not override international treaties. Though he did not say so, even under the US Constitution, the international treaty obligations of the US override federal or state laws.

But Indian policy makers are taking note of the possibility that, legal or otherwise, the US might still cut off fuel eighteen to twentyfour months from now. While the Indian atomic energy establishment is going ahead with its research to use partial mixture of plutonium and uranium, other more conventional 'gameplans' including linkup of northern and western grids are also being examined. Indian officials note privately that if the US actually cuts off nuclear fuel supplies and forces shut-down of Tarapur, causing considerable damage to the economy of the western region of India, it is bound to have repercussions on the entire gamut of Indo-US relationships.

* *

Mr Desai appeared less dogmatic on the issue of deficit financing (compared to his remarks soon after he took over prime ministership). At the press conference, Mr Desai said that the new five-year rolling Plan would be prepared keeping in view the objective of 'no deficit financing'. He justified the expected heavy dose of deficit financing in the current year's budget as "having become unavoidable because of circumstances". This would not apply to future or become part of the new government's policy, he went on. However, Mr Desai left himself a loophole by arguing that deficit financing would not be harmful if the economy was working smoothly and was properly regulated.

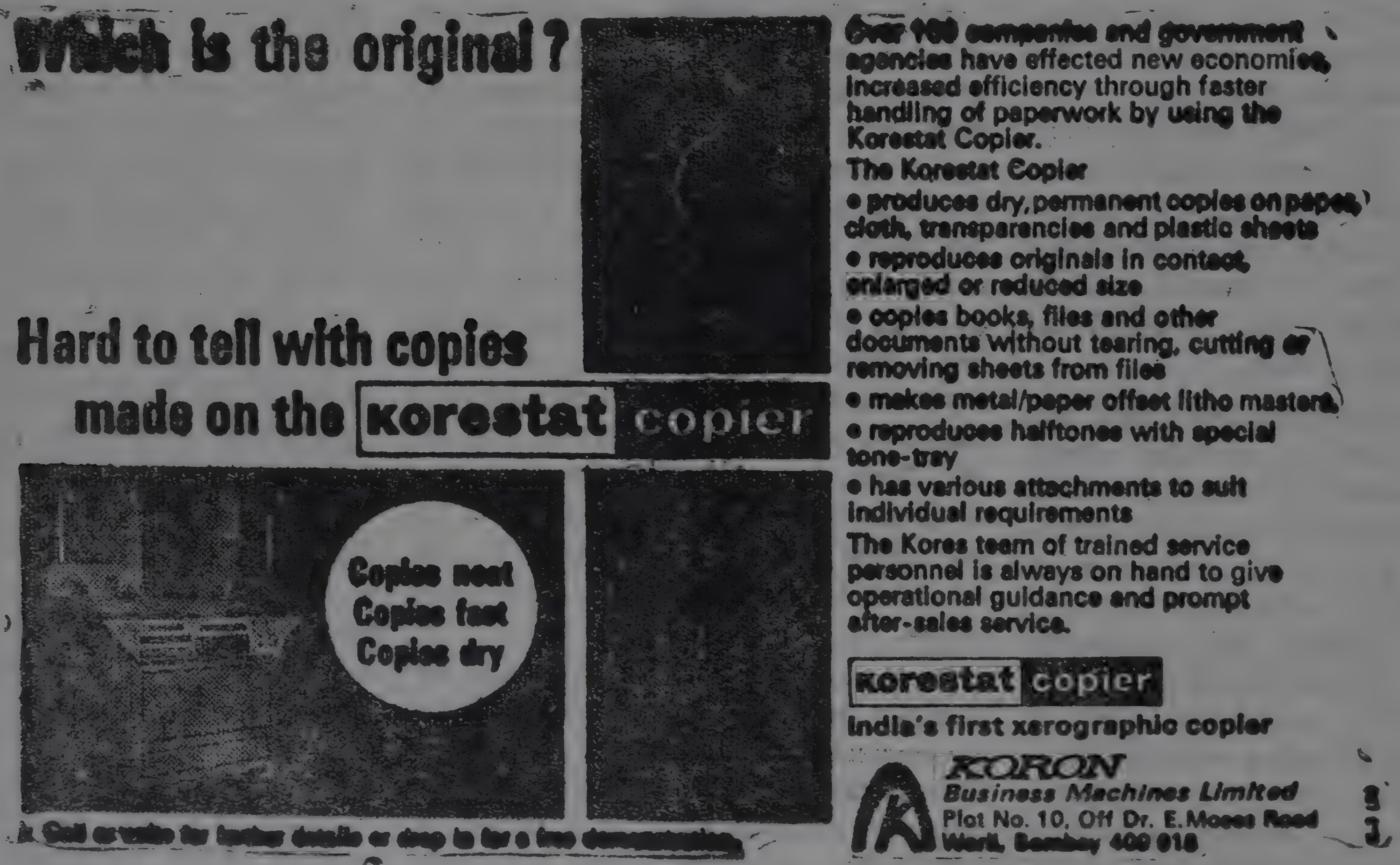
The prime minister also said that the economy was "improving as satisfactorily as it is possible in the circumstances". However, when confronted by his Finance minister's year-end statement that the economy was 'sluggish', Mr Desai saw no contradication and advised newsmen to wait till the next budget (for government's remedial measures). Mr Desai also saw no contradiction between the Janata party's stated objective of a seven per cent growth in the programme, and the much lower growth rate projected by the Planning Commission (in drawing up the next plan and as a part of it the annual plan for the first year of the five-year rolling plan beginning April 1, 1978.

* *

With the announcement by the Election Commission of the schedule of general elections for the states of Andhra, Assam, Karnataka and Maharashtra, manoeuvres have begun among all the parties for electoral alliances, adjustments and understandings. With no real and effective base in the south, the Janata has again opened its doors to congressmen (it was never shut) though stipulating admissions would be on individual merits (based on their functioning during the emergency), and allotment of Janata tickets would be considered if the congressmen publicly resign from their party before applying for tickets. However the fact that among the new entrants to the Janata, after obtaining the blessings of the prime minister, Mr Morarji Desai, and party president, Mr Chandrashekhar, is Mr K. Raghuramaiah shows the flexibility of the Janata approach. Mr Raghuramaiah, the minister for Parliamentary Affairs and Works, Housing and Supply in the Indira Gandhi government, was the one who took Mr Sanjay Gandhi to Andhra early in 1976. He took Mr Gandhi to his own constituency, Guntur, and pledged fealty to the then heir-apparent, by noting how he had been "a slave" of grandfather Jawaharlal Nehru and mother Indira Gandhi and now the "third generation" (Sanjay Gandhi). Mr Raghuramaiah resigned from the Congress in May 1977, only because Mrs Gandhi had insisted on sponsoring his arch rival, Mr Brahmananda Reddi, for Congress presidentship. Now he has announced his decision to join the Janata party.

The Janata party is also exploring possibilities of continuing its electoral alliance or understanding with the Communist Party (Marxist), particularly in the light of the debacle the Janata suffered, fighting it alone, both in West Bengal and Tripura state assembly elections. The Congress, led by Mr Reddi, is looking to forging an alliance with the CPI, at l in Andhra and Karnataka and perh Maharashtra. In the last the Peasa and Workers Party is proving to troublesome. The PWP is taking note the fact that in Maharashtra the Jan has a 'Brahmin-image' while the Congr has a 'Mahratta image' and with b fighting each other, it might be able seize sizeable assembly seats standing itself, particularly since the Indira Co ress would also be fighting both Janata and the Reddi Congress. T CPI(M)in the meanwhile, in papers for congress scheduled for April, has ra the CPI as a possible left ally, sligh higher than 'progressives' amongst b Congressmen and Janata, but next bel its own left allies (like the Forward B or Revolutionary Socialists) in the W Bengal coalition.

If this is all confusing to the politi pundits and electorate, the real pictu would emerge only after the electo dust, being stirred up, settles dov Mrs Gandhi's foray into Rajasthan a the crowds she has attracted shows s cannot be easily written off.



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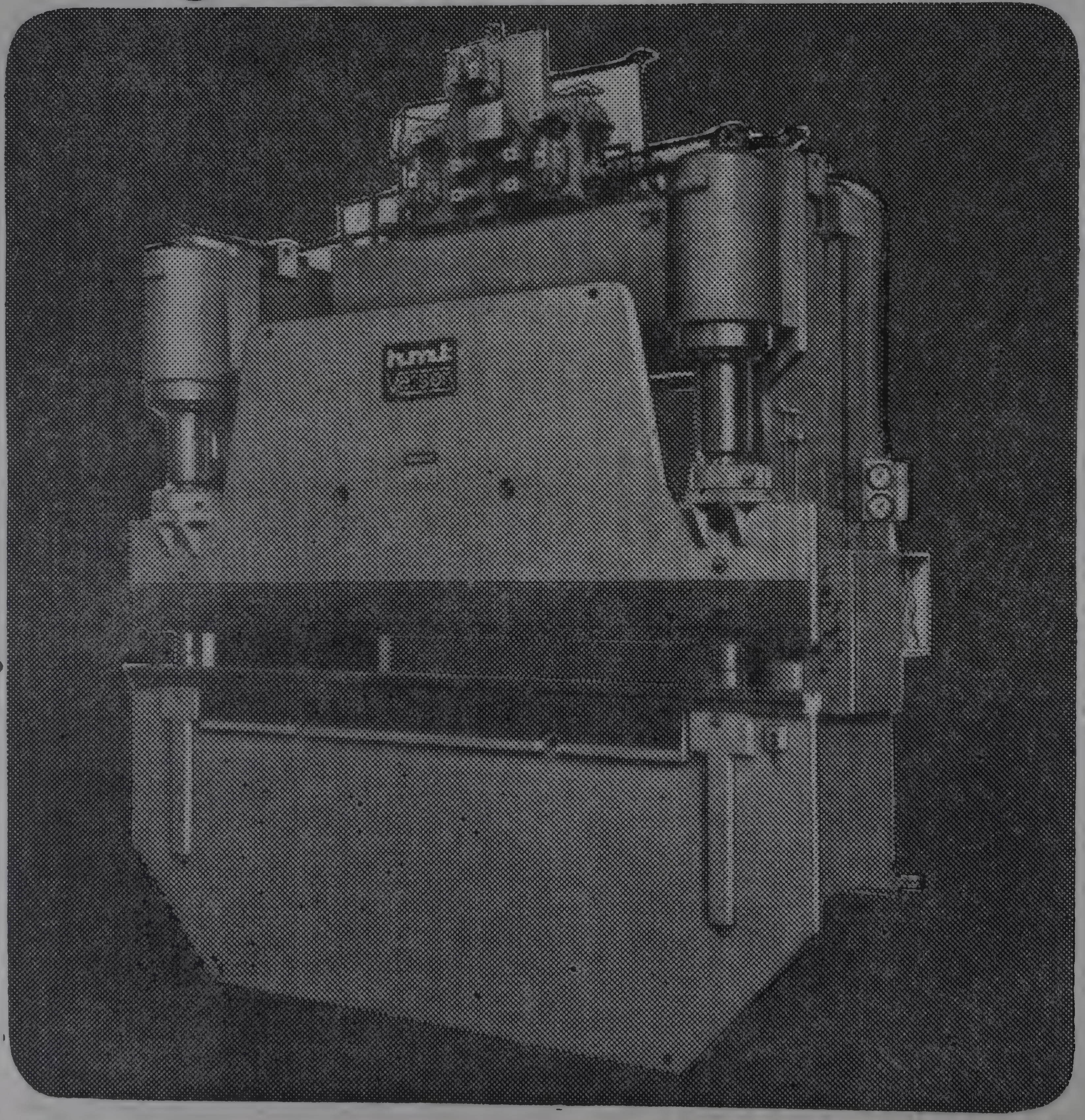

Sick units : a non-emotional approach

A Correspondent

The why and wherefore of the sickness of many industrial units in the country are discussed by the author in a dialogue form.

Wife : Anjana, please call your daddy.

Self : Here I am dear, what bothers you ?

Wife : Please, first switch off the radio and then lift your face from the newspaper; I want to discuss something serious.

Self : Well, are you again going to pontificate on the evils of smoking or on the need to teach the daughter modern maths ?

Wife : No, I am interested in learning a bit of high finance, about which you have written so many articles—very few, of course, are published by some benevolent editors.

Self : Let us not reopen the topic of the oft-returned articles of mine but discuss your problem.

Wife : What, my dear, is a sick industrial unit and why is it these days nearly half of all newspaper space is occupied by the problems of these units ?

Self : One question at a time please. Various authorities adopt different yardsticks to distinguish between a healthy and sick industrial unit.

Wife : Like, for example......?

Self : The government of India recently classified those units where the losses, past and present, have eroded 50 per cent of capital and reserves as sick; this was announced in connection with the scheme of merging sick units with healthy ones. The Reserve Bank of India, on the other hand, has asked commercial banks to consider units as sick if they had incurred losses in the previous year and are likely to lose in the current year as well as the next year. Many banks and financial institutions perhaps feel that their borrowers are sick if there is default in payment of interest or repayment of principal in time. Other interested groups might look to some other indications.

Wife : You have, as usual, left me confused after this long-winded explanation. Now, why is it that everbody seems to be talking about sick units ?

Self : Because the number of sick units has been galloping at an alarmingly high rate in the last few years.

Wife : But then, why should an apparently healthy unit become sick ?

Self : The causes of sickness are many and varied and each interested party tries to blame all the others. For example, labour blames management, whereas the bankers and financial institutions apportion the blame between the so-called market forces (i.e., people refusing to buy products at high prices, like my protesting against the high priced saree you bought the other day), the governmental controls and management. The bureaucrats in the government tend to blame the bankers for lack of supervison and the management for inadequate control, while the management seem to point an accusing finger at everyone else but themselves.

POINT OF VIEW

Wife : What does everybody do to pull up a sick unit from the morass into which it has fallen ?

Self : That is a good question. A variety of remedies have been suggested and are being experimented in our country but very few apparently succeed.

Wife : You are right, occasionally; all the mini-steel plants started in recent years have yet to see the light of the day despite the continuous talk of reviving them.

Self : But then, one has to make a distinction between mini-steel units which were sick *ab initio* and others that had lived a healthy life but subsequently turned sick.

Wife : You and your Latin words: but, pray tell me, if a unit is sick from the beginning, why should sumebody wa
time, energy and perhaps lots of money
reviving it ? Why not permit the unit
have a decent and honourable death ?

Self : Well, then, the money invest
in the unit will become worthless and. . .

Wife : You are, as usual, jumping
conclusions, my dear, without allowi
me to complete a line of thought. Even
a mini-steel unit is, let us say, liquidate
the machinery, building, etc. can be so
to somebody else.

Self : How would it help ?

Wife : If all the items of machine
etc., you call them fixed assets I suppos
are sold at a cheap price, the buyer c
utilise them profitably.

Self : You have a point there, but ho
can the buyer alone find it profitable.

Wife : Elementary, my dear Watso
The buyer gets fixed assets cheap; hen
he would be able to produce the ste
billets or ingots or what have you, chea
and thus ends up earning profits.

Self : Hurrah ! You have become
financial wizard, doubtless due to associ
tion with me. There is only one sna
though. The existing owners of such sic
units will lose along with hordes of ban
and financial institutions that have sunk
monumental amount of funds in the
units. They may not therefore approv
of your over-simplistic solution.

Wife : Do you think that these bank
and institutions will gain by allowing th
situation to drift as it seems to be happen
ing ? However, let us talk about the othe
types of units which were originall
healthy but subsequently became sick
Can we not allow them at least to fold u
and bid good-bye ?

Self: Here again, large sums of money—
capital in economic parlance—have bee
poured into the industry and there is n
point in wasting capital which is scarc
in a country like India.

Wife : But then, don't you have t
pour in substantial additional capital t
retrieve the capital which is already sun
and which, perhaps, might have bee
fully recovered earlier by the owners ?

Self : Ah ! Here your native wisdom

ils you. The additional capital required revive a sick unit will be far less than e new capital required to start a brand ew unit of similar size.

Wife : I don't understand your logic. et us take a sick textile unit in the heart f Bombay or Madras. Would it not be r simpler to dismantle the machine, sell e land at the present fancy prices and ereafter start a modern, highly efficient nit in an industrially backward area ?

Self : Simpler, of course, but not, I m afraid, necessarily cheaper.

Wife : You and your false sense of conomy. How many of the textile units aken over by the government for revival ave earned reasonable profits, I wonder ! They seem to keep on consuming additional funds from government which, in urn, keeps on imposing larger and larger doses of taxes on all of us. On top of it, various concessions like cheaper interest on loans, exemption from production of controlled cloth are being showered on these sick units. For what purpose, I don't know.

Self : Well, without these concessions, the unit will become more sick.

Wife : Wait a minute, is not your emotion getting the better of your logic ? The unit became sick because the people in command had been wasting their efforts and deserve to be suitably penalised. On the contrary, everybody demands that concessions be afforded to sick units. At this rate, will not the owners of healthy units also allow their concerns to become sick to avail themselves of attractive concessions ?

Self : You have an interesting point there. But then, one trusts in the wisdom and basic honesty of industrialists, I suppose.

Wife : As they say, Trust in Trade. But something in me tells that the businessmen are only too willing to exploit poor consumers like us at the slightest opportunity.

Self : Well, well, that is too much of a generalisation.

Wife : Be that as it may, I am not convinced about the need to revive a sick unit only on considerations of retrieving capital. Is there any other reason for resurrecting the sick ?

Self : There are reasons, galore and very compelling ones too. We cannot afford to waste the production capacity already established. Again, by closing a sick unit, we will be throwing a large number of poor people out of employment and thereby accentuating serious social tensions in cities.

Wife : Can't the same production capacity be established in a new unit instead of throwing good money after bad in a sick unit ?

Self : As I said earlier, creation of new production capacity would be far costlier than resuscitating an existing unit.

Wife : Costlier in the short term but should be cheaper in the long run. Well, we are arguing in circles. Coming to labour, is there no other solution possible ?

Self : I am afraid no. Only the other day I heard that a leading textile mill in the south employs about 12,000 workers and these people were on the verge of starvation because the mill was closed due to a variety of reasons. How can you rehabilitate these workers unless the mill is restarted ?

Wife : Is that the only solution, I ask ? Can't you rehabilitate these workers in some other manner ?

Self : Don't be obstinate. Which metropolitan city, let alone a town, in our country can absorb 12,000 workers ?

Wife : Aren't you being obdurate ? Well, can't the government help these workers to migrate somewhere else ?

Self : It would be a Herculean task and for what purpose, I pray ?

Wife : How you will start to see reason. By closing the mill and starting a number of tiny, small and medium sized units in various industrially backward areas, you can certainly rehabilitate the labour thrown out of employment. In the process, you would have achieved the lofty objective of de-conjusting the overstuffed cities besides dispersing industrial development.

Self : Apart from the massive organisation required for such an effort, would it be cheaper than rehabilitating a sick unit ?

Wife : Undoubtedly, you had yourself told me once that the capital required to employ one person is far larger in a big plant than in smaller plants. Also, look at the large pay-offs: cities like Bombay and Calcutta would become more habitable if some of the tottering factories there are closed and substitute facilities provided in the hinterland. Well, are not all state governments bending over backwards to encourage the establishment of factories in the interior ? Even the central government appears to be pursuing these objectives by providing attractive incentives—financial and otherwise.

Self : You certainly have a valid point there. But then, I am not quite sure of the practicability of the suggestion.

Wife : Why ?

Self : Because, by allowing a sick unit to fold up, you will be disturbing many vested interests like capitalists and others.

Wife : Even by nationalisation, you would be throwing out capitalists but which are the other vested interests ?

Self : Leaders of labour and perhaps, I am afraid, the politicians.

Wife : What do these people gain by perpetuating the existing state of affairs ?

Self : One cannot be definite about this point. But there is a strong suspicion in the minds of many that politicians would stand to lose if labour is dispersed. Simply put, by having a large labour force at one centre, they have a ready-made constituency and no politician would, many people feel, allow this situation to be disturbed.

Wife : Isn't it irrational ?

Self : Well, politics is not always rational.

Wife : At least the Janata leaders appear to be honest and rational and an energetic and enthusiastic minister like Mr. George Fernandes would see reason, I presume.

Self : Who is to tell him ?

Wife : If no one can tell him directly, can't you at least write an article supporting a thorough re-appraisal of present politics regarding sick units, to be done by an expert body in a dispassionate manner ?

Self : You have also started making long speeches like politicians. I don't have time to write long articles.

Wife : Can't you at least put the present conversation into a readable form and send it for publication ?

Self : Let me try. I hope some chivalrous editor will publish it.

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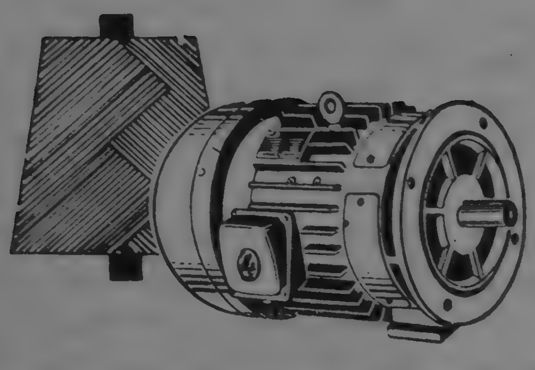

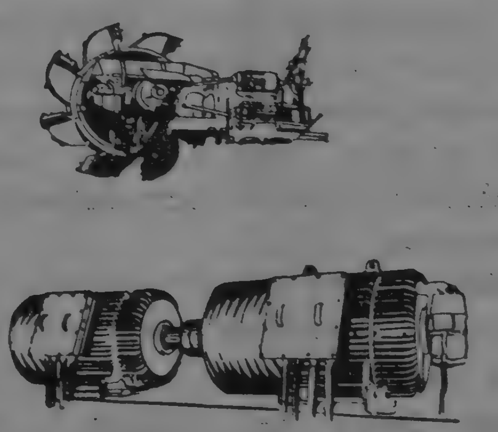

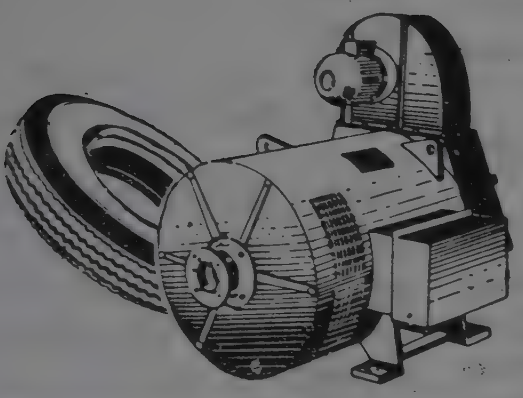

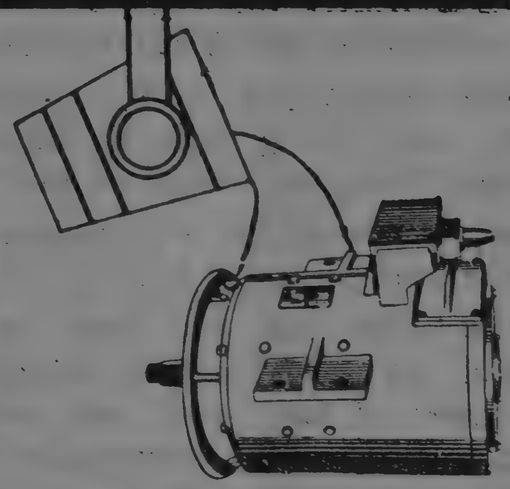

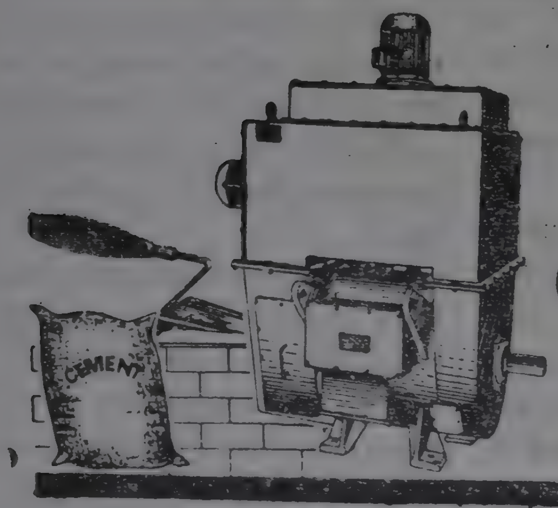

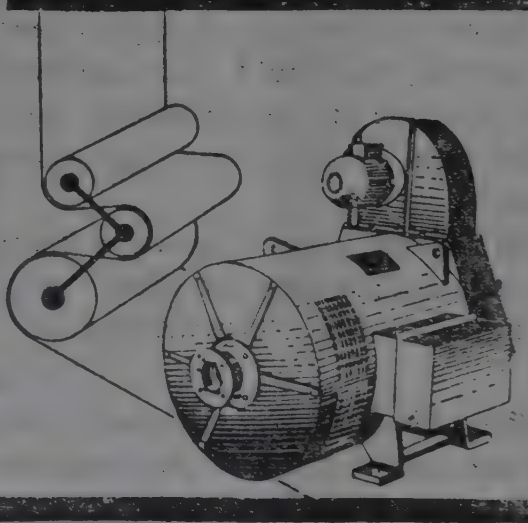

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Prospects of sea-food industry

B. H. Lalvani

Export of sea-foods has vast possibilities. The author advocates that international fishing organisations should be allowed to exploit the potential. There is need for provision of more mechanised trawlers and expansion of boat building yards, fishing harbours and transport facilities.

is more than 20 years since the sea-food dustry was started in the country. xports of sea-food had risen from 11,161 nnes valued at Rs 42 million in 1962-63 38,903 tonnes valued at Rs 597 million ıring 1972-73. The phenomenal expan- on of the industry is in keeping with the ree-fold increase in the contribution ade by fish to the world food supply uring the last 30 years.

It is estimated that exports of sea-food ould be stepped up to 130,000 million onnes valued at Rs 12,000 million by 978-79. The world's resources of marine roducts have been estimated at about 20 million tonnes and the Indian Ocean is ich in many varieties of marine products articularly along the south west coast of ndia where we have the prawn fish rounds. Kerala ranks first in fish yield ollowed by Maharashtra, Tamil Nadu nd Gujarat which are forging ahead in he execution of various fish projects.

leading producer

Today India is one of the seven leading sh-producing countries of the world and ur main exports are frozen, canned and ried shrimps, frozen lobster tails, frog egs, shark fins, fish maus, canned and ried fish. The Indian fishing grounds re rich in marine products like sar- ines, mackerels, perches, breams, lina, ombay duck, pomfret, anchoviella, cat sh, crabs, oysters and mussels which ave not yet found their way on a large cale into the international markets. larine products have been identified as ne of the items with growth potential. he Marine Product Export Development uthority (MPEDA), which has on it the epresentatives of the central government om the ministries of Foreign Trade, inance, Industrial Development, Ship- ng and Transport and the representa- ves of maritime states, has been bestowing serious attention to the integrated development of the fish and sea-food export industry. According to the survey reports of the International Indian Ocean Expedition (1960-65) excellent and varied fish shoals have been located in the Arabian Sea and some part of the Bay of Bengal and other regions of the Indian Ocean. The new fishing grounds located by the Indo-Norwegian project are really the virtual gold mines in the sea with an unlimited quantity of fish resources.

scope for expansion

There is a vast scope for expansion of the industry inasmuch as our daily per capita availability of the fish is 7.6 grams as against 88 grams in Japan. The Indian Ocean is estimated to produce a catch of 12 to 14 million tonnes of which only 15 per cent is now being exploited.There is a growing demand for the Indian frozen varieties, shrimps, frog legs and lobster in the USA, Japan, Australia, Belgium, France, Switzerland and other west European countries. Dried fish and prawns have a favourable market in many foreign countries mainly Sri Lanka, Hong Kong, Malaysia, Singapore and some other African countries.

In the fishing trade industrial giants like Tatas, DCM and Birlas have entered, not to speak of Union Carbide, ITC, Britannia Biscuit, Parrys, Rallis India, Chowgules and Gujarat Fisheries Ltd. They have the means to go in for deep-sea fishing with the result that smaller fishermen are unable to compete successfully with them. Recently there was a fear among the poor fishermen who led a protest against the use of trawlers by these concerns. Nearly 5000 mechanised boats and 300 large trawlers for deep sea fishing will be pressed into operation by the end of 1978-79 to boost earnings from the export of sea-food to Rs 120 crores. Their allotment to the fishing trade will be decided by a panel appointed by the government.

foreign assistance

One of the ways for the development of sea-food export industry is by inviting international fishing organisations from the USA, Japan and Norway to help modernise the industry to enter in the foreign markets on a competitive basis. With the expansion of exports, the composition of the products and markets have also undergone a noticeable change. The fulfilment of these increasing exports depends on the efforts which are put forth to strengthen the foundations of the industry to enable it to successfully meet the challenging demands. The pressing and the most important tasks are the provision of more mechanised trawlers, enlargement of boat building yards and repair facilities, development of fishing harbours, transport facilities, training of skippers and other personnel, stepping up the production in fresh landings and processing centres etc. India's efforts to add to her knowledge of the Indian Ocean will depend on her ability to secure the necessary ships to conduct oceanic exploration.

The International Shrimp Council (ICS), the worldwide trade association of shrimp producers, exporters and others interested in the marketing of shrimp was formed in the USA during 1968 to create an ever increasing demand for shrimps in the states and eventually to develop a world market.

The contribution of the fish to the world food supply has increased through more efficient and diverse handling and processing methods. The use of minced fish as a basis for food products such as kanoboko, a traditional fish paste, is a practice of long standing in Japan. Modern methods have been applied to this ancient art and a major industry has arisen in that country during the last two decades producing an amazing array of sophisticated food products from minced fish.

A major new possibility of increasing the yield of protein from the ocean lies in the application of flesh separation technology to fish. The chief advantage lies in the significant increase in the yield of fish flesh and protein which can be obtained from raw fish amounting often to 50 per cent more than obtained by filleting. Another advantage lies is that it permits its easy use as flavourings which has led to the development of several products as a result of application of the minced fish technology to western style cuisine such as minced fish blocks, salted mineral fish etc. Much remains to be done to fully explore and apply such potential for better use of Indian fish.

Our fishing resources are potentially the richest in the world. The Sea Food Exports Association, the only all-India representative body and the Marine Products Export Development Authority being a common body would be well advised to promote a campaign and provide sufficient incentives for the development of the Indian sea food industry. Our requirement of fish is four million tonnes while our present production is about a quarter. The resources of the sea could be an answer to the recurring threats of famine. The ocean can supply enough animal proteins to satisfy the needs of the large populations of the world. Proper exploration of the vast resources of the sea by employing mechanised methods of catching all types of fish which will raise it to 20 times its present level, the utilisation by extending our freezing and canning industries to fish other than prawn and modernisation of fish curing industries and economic use of brash fish and other by-products are sure to open up a bright future for our fishing industry.

India's share of the world trade in maritime products is only two per cent. It is necessary to diversify our markets and products. There is hardly any other export-oriented industry which holds out as much scope for immediate expansion as the fish industry. The main thrust of our exploitation has been confined to a narrow coastal region covering a part of wide continental shelf of 415,000 sq km. It will be rewarding to explore the sea depth between 50 to 200 m for pelagic fish (migratory) other than presently harv kinds like oil sardine, mackerel Bombay duck. We should go be the range of present fishing limits as it result in the augmenting of the cat pelagic fish to three times the present as well as eliminating yield fluctuatio

During recent times there has bee explosive development in pelagic o fisheries and the coming into being booming industry consisting of tuna bill fish. Japan and Russia have recog these resources of the Indian Ocean an exploiting them. Among other coun bordering the Indian Ocean, Austr Union of South Africa, Pakistan, Mala and Sri Lanka are expanding the oce fishing activities. As far as this cou is concerned pelagic fishing has a br future and every effort should be mad catch up in this field of fisheries deve ment where we have lagged thus far. will not only improve the economic p tion of the country but also enable it to tribute its share in alleviating the prob of shortage of food materials and serv uplift the socio-economic condition lakhs of fishermen engaged in the indus

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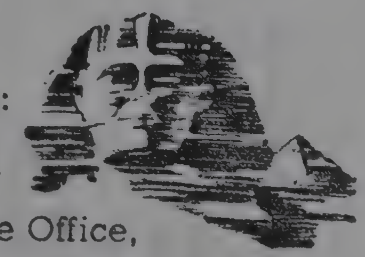

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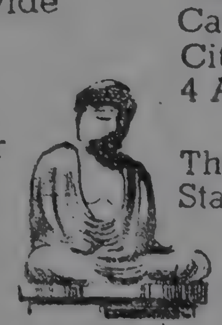

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Borrowings and debt-equity ratio in industry

S. C. Jain

The debt-equity ratio recommended for Indian industry is 1:1 or hundred per cent. The study made by the author indicates that this ratio does not obtain in our industries and that industry-wise difference in the ratio is significant.

THE DEBT-EQUITY ratio is specially important because nowadays companies prefer to borrow rather than obtain finance by issuing more stock (shares). Borrowing money not only provides funds at a cheaper rate, but also reduces profits for tax purposes. Borrowing funds also ensures earning more for the shareholders, though sometimes at the cost of creditors.

TABLE I

Debt-Equity Ratio of Selected Industries

Industry	Ratio of debt to equity*						Average debt equity ratio
	1970-71	71-72	72-73	73-74	74-75	75-76	
Tobacco	0.052	0.050	0.054	0.053	0.14	0.74	0.091
Cotton textile	0.507	0.575	0.607	0.514	0.550	0.573	0.554
Silk & rayon textile	0.182	0.224	0.225	0.223	0.180	0.193	0.205
Iron & steel	0.133	0.088	0.149	0.258	0.382	0.462	0.245
Paper & paper products	0.475	0.41	0.394	0.419	0.344	0.321	0.395
Shipping	0.993	0.974	1.131	1.238	1.120	1.498	1.159
Rubber & rubber products	0.357	0.384	0.365	0.327	0.253	0.277	0.327
Electricity generation & supply	0.745	0.675	0.575	0.096	0.608	0.610	0.618

Notes:

**Debt* includes (1) All borrowings from government semi-government, statutory financial corporations and other institutional agencies, banks (against own debentures and other mortgages and other borrowings against own debentures), (2) other mortgages, (3) deferred payment liabilities, (4) public and other deposits.

Equity includes (1) Share capital (2) Reserves and (3) Surplus

Source: Various issues of Reserve Bank of India's Monthly Bulletin.

Iron and Steel Industry

The parameter calculated in the case of iron and steel industry are given below:-

(a) Standard deviation of debt-equity ratio $(\sigma) = 0.14$
(b) Mean of debt-equity ratio $(\overline{X}) = 0.245$
(c) Number of observations $(N) = 6$
(d) Hypothetical ratio $(\mu) = 1$
(e) Value of "t" $= \frac{(\overline{X}-\mu)}{\sigma}\sqrt{N-1}$

$$\text{"t"} = \frac{(0.245-1)}{0.14}\sqrt{6-1}$$

$$\text{"t"} = 12$$

(f) Degree of freedom $= N-1$
$= 6-1 = 5$
(g) Level of significance X = 1%
(h) Table value of "t" = 4.03

From the creditor's point of view a l debt-equity ratio is preferable, althou the owners prefer a high debt-equity ra to give them better returns with smal capital. Though an ideal debt equ ratio usually recommended is 1:1 hundred per cent, yet an analysis of t balance sheets of eight industries in t country reveals that their debt equity widely apart from the ideal ratio.

the test

The debt-equity ratio of these companies has been tested by applying the st dent's "t" test. It has, further, also, be studied whether there is a significa difference in debt-equity ratio (i) betwe industries for the same time and (ii) be ween time for the same industry by appl ing variance analysis technique.

In this study, debt-equity ratios eight industries for six years have be taken (Table I). These companies woul reflect the trend in the corporate sector a whole.

From the analysis given alongside it clear, that the hypothesis is not corre because the calculated value of "t" higher than the table value. There is significant difference between actual rati and hypothetical (ideal) ratio. Henc debt-equity ratio is not 1:1 in Indian iro and steel industry.

Further analysis (shown in Table I also reveals that the calculated value "t" is higher than the table value in th case of tobacoo, cotton textile, silk an rayon textile, paper and paper products shipping, rubber and rubber product and electricity generation and suppl industries.

It can, therefore, be observed that i the case of Indian industry the norm of 1:1 for debt equity ratio is no applicable.

TABLE II

't' Value in Seven Selected Industries

Industry	Mean of debt-equity ratio	Standard deviation of debt-equity ratio	Calculated value of "t"
Tobacco	0.091	0.123	16.53
Cotton textile	0.554	0.065	15.34
Silk & rayon textile	0.205	0.020	88.88
Paper & paper products	0.395	0.050	27.06
Shipping	1.159	0 246	5.80
Rubber & rubber products	0.327	0.062	24.47
Electricity gen. & supply	0.618	0.117	7.30

Number of observations in all the cases (N) = 6

Hypothetical ratio = 1

Level of significance = $1\%^1$

Table value of 't' = 4.03

Student's "t" test has also been applied here to test the hypothesis in selected industries as a whole. The average debt-equity ratio has been calculated for this purpose, as shown in Table I.

The various calculated values are as follows:—

1. $\overline{x} = 0.449$
2. $\sigma = 0.320$
3. $N = 8$
4. $\mu = 1$
5. Value of "t" $= \frac{(0.449-1)}{0.320}\sqrt{8-1}$

"t" $= 4.556$

The table value of "t" at 7 degrees of freedom at one per cent level of significance is 3.4995, which is lower than the calculated value. This again proves that the hypothesis is not correct.

Thus the present study shows that the debt-equity ratio is not 1:1 in Indian industries though much will depend on the nature of the industry and economic conditions in which it is operating.

The debt-equity ratio has also been studied by applying "F" test in the technique of variance analysis.

For this purpose various calculations have been made which are giveni n Table III.

TABLE III

Analysis of Variance

Sources of variance	Sum of squares	Degree of freedom	Variance (2—3)
1	2	3	4
Between columns (time wise)	0.043	6	0.007
Between rows (Industry-wise)	4.912	7	0.702
Residual	0.180	42	0.004
Total	5.135	55	

Analysis:

(a) 'F' (Between columns) $= \frac{\text{Variance between columns}}{\text{Residual Variance}}$

$$= \frac{0.007}{0.004} = 1.75$$

The calculated value of "F" comes to 1.75 whereas the table value is 21.7 at $5\%^2$ level of significance. The calculated value of 'F' is lower than the table value. Therefore, the difference between the debt-equity ratio of different times for the same industry is not significant.

(ii) 'F' (between rows) $= \frac{\text{Variance between columns}}{\text{Residual Variance}}$

$$= \frac{0.702}{0.004} = 175.5$$

As the calculated value is greater than its table value (i.e. 21.7 at 5% level of significance), the difference between the debt-equity ratio from industry to industry is significant.

The study reveals the conclusions that:

(1) The usual recommended norm of 1:1 or 100% for debt equity ratio does not apply in the industries study.

(2) The difference in the ratio in the same industry time to time, is not significant, whereas industrywise difference is significant.

A recent study made in regard to current ratio has also rejected the established norm of 2:1 in Indian industry. The two studies thus lead to the same trend. Further studies in this direction are needed to establish ideal ratios for Indian industries.

References

1. One per cent level of significance means that there is a one per cent chance that the conclusion derived is not correct.
2. Five per cent level of significance means that there is a five per cent chance that the conclusion derived is not correct.

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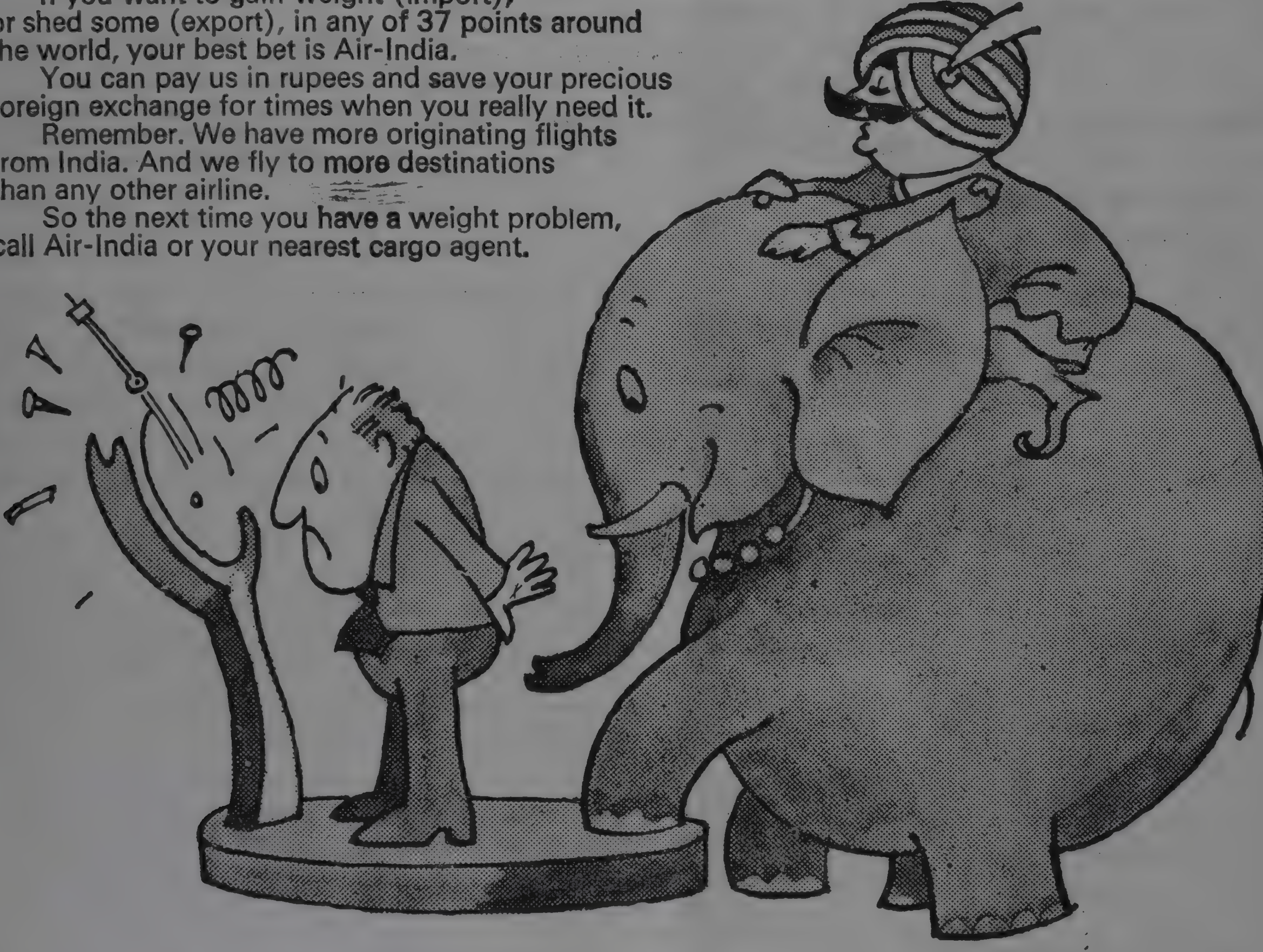

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Western scene on the new year's eve

E. B. Brook

With a roving eye over the western scene, the author finds European economies refusing to respond to remedies. He asks how oldesters in eastern Europe can fulfil the communist aim of exporting revolution and notes the indifference of the Americans to the sinking dollar. He believes that the possibility of the third world becoming potential customer needs sustained expression.

WINDOW ON THE WORLD

Its New Year Eve as this is written, quite a mild day here with occasional showers and nothing in the weather to motivate any Christmassy-New Years euphoria as the cars slush past in the street, mackintoshes rather than thick coats are worn and, with the cheapest whisky at over £4 a bottle, little prospct of anything like a round of goodwill drinks. All the same it is pleasant to write more or less truthfully in a cheerful note, because it is quite possible to be relatively cheerful as long as the review remains superficial. So, for 1978, the good news first.

The British, despite themselves, become Europersons on January 1. To any one who knows them well this is not only cheerful but positively laughable. Only a few more or less Euroexperts are aware of this metamorphosis; 'Happy New Year Europerson' tomorrow would arouse a stare rather than a smile; the less charitable would suspect a new year's eve hangover. But, like it or not, the Briton is now a Europerson; several of his laws—one or two of them very old laws indeed, including one that makes parsons almost irremovable from their jobs, are automatically changed. The British parson, for example, can now be put out of his job if a sufficient number of his flock dislike his ways and officially say so. That the terribly British phenomenon, the English parson, should be among those automatically Europeanised on January 1 should have aroused much more mirth than is the case. More importantly, the British jury gets a European one in the eye in so far that coroners need summon juries to assess the cause of a death, even in the case of murder, only when they feel inclined to. Nothing particularly economic in all that except that, if the so typically English parson and juryman are laid lower by the law of the Common Market, the company director and the trader had better look out.

Leaving the Briton to grow accustomed to his Europersonality, a quick look over the continent of Europe reveals few in notably good shape. Prosperous the West Germans may be in their land now slowly ridding itsef of the Baader-Meinhof menace, but the near-million unemployed in West Germany are more ominous to the state than are the million and a half in Britain. Still less happy over their unemployed are France and Belgium. The cost of oil fuel, the struggle for foreign orders and the refusal of national economies to respond to remedies adds to the clouds currently floating over western Europe. If the more dexterous Italians, all with a second job not declared for taxations, manage to keep their heads a little farther above water than they or anyone else had expected and improve their balance of trade no one, not even the Italians, expect that to settle into a permanent pattern.

great contrast

Eastern Europe, to put it bluntly, wonders how many more new years several of its old leaders will survive physically to celebrate. With the first man in the Soviet Union slowly approaching eighty and the older first man in Yugoslavia nearing ninety and not a man under 60 at the helm anywhere there must be elements of frustrated energy and ability in the swollen ranks of the fully developed party and civil services in the whole of communist Europe. In this matter of survival in office and power there is the greatest contrast possible between east and west Europe. Few survive 65 on the job in the west; many expect 60 to be the limit before long.

In the east the top jobs seem to be like marriage—'till death do them part'—and the effects of geriatric steerage have long been apparent. At one time the Soviet Union's aim was to 'export revotution'; septuagenarians do not make revolutions, much less export them. On the other hand, if 1978 carries off a few of the senior oldsters in east Europe there could be a few changes apart from those of personnel.

Alone among the western states, France has a general election imminently due—in March—and public opinion polls have been diligently seeking to sound the probabilities. Allowing for the conservative habit of the Frenchman and his basic self-regard the betting at the moment appears to favour the present regime. The left is split between the Socialists and the Communists, the eternal centre of French politics split between several clever self-interested operators and the Right increasingly inward-looking, concentrating on nuclear power to save capital on buying oil, anxious about the power of the agricultural vote and appalled by unemployment among youth, notably those highly qualified at universities and the famous specialist schools. As always in times of perplexity, France turns in on itself and becomes an increasingly obdurate member of the Market and international authorities.

anxious Greeks

The Market itself, conscious that, having changed from the Six to the Nine in fairly recent times and with no small pain, is anxiously conscious that it is due to expand again to become the Twelve, adding Greece, Portugal and Spain to its numbers. Greece has recently voiced impatient concern at the way in which the Market is dragging its feet over this operation. Greeee is anxious, with an overload of agricultural produce from last season, to find markets on far easier terms for its fruit, wine and tobacco, especially as Turkey has slashed its sales price for exactly the same type of tobacco leaf as the Greeks have to offer. The Portuguese are similarly impatient, very conscious that it contains areas where the communist revolt of 1976 is still a political and economic force. Alone among the applicants, Spain is content to let matters move slowly as it adjusts its internal affairs and liberalises its own composition. Spain had a taste of French attitudes a few weeks ago when lorries loaded with Spanish wine were overturned by angry French farmers within a few miles of the frontier. In the Christmas markets of west Europe Cypriot, Greek, Portuguese, Italian and German wines vied for custom with the French and Italian products even in the relatively non-wine drinking British markets and few products were offered more cheaply.

Across the Atlantic the Americans are demonstrating the completely different nature of their economy by their indifference to the rapidly sinking, on international exchanges, of the value of their dollar. Since less than 10 per cent of American national income is earned by foreign trading, the United States' position is completely different from that of the Europeans to whom such a fall in the value of their currency would be regarded—quite falsely—as disaster. It is headline news in London that the £ is worth nearly two dollars; the American press leads on West Asian politics and gives the dollar single column treatment.

So much for the superficialities—in part amusing, generally not a little ordinary and boring, obviously viewing 1978 with no little anxiety. With the prospect of bargaining ahead over such problems as the GATT discussions on textiles and other world mass produce with the producers of what many please to call the 'Third World' anxiety is to be expected. So long as national viewpoints remain the criterion and some form of protection the easiest, most ready and internally popular solution, the anxiety will remain. It will remain because protection in any form will solve nothing.

When tourists in west Europe can book, as they are currently doing, for summer holidays, not in Italy but in China, surely they must realise that the world has practically and in reality become one. The industrial, human and commercial problems of India, Hong Kong, Singapore, Taiwan and Korea as well as those Japan have become—long since in reality those of Britain, France, W Germany ar the USA. The problem is not how t repel textiles from Bombay, Hong Kor and Korea but how to make it possib by earning from their exports for Indian Koreans and the people of Hong Kong become sufficiently well off to be able buy some of the products of Britai France and the USA.

The problem involves a far wid outlook than what exists at present, willingness to allow trade expansio from relatively poor exporters, willingness to research and share the resul of research into industrial technique industrial management and commerc How far this wider outlook will be realis remains problematic. The danger is th west Europe and the USA will remain absorbed in their own problems ar allow a trade war to develop betwee themselves to bolster rates of exchange ar employment figures that the longer-ter possibilities will not be considered. Tl wider benefits of world industrial outp need far greater publicity and emphas than they receive yet; the possibility present low-price exporters as potenti customers is a theme that needs sustain expression if current world perplexiti are to begin moving towards solution.

Eastern Economist 30 Years Ago

JAN. 16 1948

While inaugurating the 30th session of the Indian Economic Conference, it will be recalled, Mr. Rajagopalachari, Governor of West Bengal, suggested the appointment of a panel of economists to give advice to the Government on current economic problems. At present the system of consulting economists for the formulation of Government economic policies is far from satisfactory. Of course, there is the Consultative Committee of Economists which has done some useful work since its inception. But in accordance with the bureaucratic traditions or foreign rule, its advice is obtained as and when it pleases the Government. Nor can it be said that its activities have influenced Government policies to any large extent. As constituted, the Committee is too large a body to sift economic issues and present a detailed blueprint for action on the economic front. If a large scale application of scientific economic knowledge is an indispendal tool of modern Government, it is necessary th the existing gap between the administration a representative economic opinion should be fille For this purpose, some legislative action imperative.

In the United States of America, for examp there is the Employment Act of 1946, und which a permanent machinery has been set up review and focus attention on the economic pro lems of the country. The Act, inter alia, aims the co-ordination and utilisation of all plans a resources for the purpose of creating and ma taining conditions under which there will afforded useful employment for those able and willing to work and the promotion of ma mum employment, production and purchasi power.

Japan needs bold fiscal action

Japan's economic recovery faltered a little past the mid-point of 1977. No sooner had the government adopted a reflation programme at the beginning of September, than the economic outlook became clouded by the steep appreciation of the yen in October, says a report prepared by the Finance Affairs department of Keidanren, the Japan Federation of Economic Organisations. It recommends that Japan must carry out a bold fiscal policy in order to maintain stable economic growth and resolve the acute trade gap problem.

INDUSTRIAL NATIONS of the world were beset by the triple woes of inflation, recession and deteriorating balances of payments in the wake of the large, sudden rise in oil prices in autumn of 1973. Japan was affected no less seriously than other nations because oil accounted for more than 70 per cent of its primary energy needs and moreover it relied on imports for 99 per cent of its oil supply. How to overcome the three-fold difficulties and achieve a smooth transition to stable growth under the changed economic conditions presented itself as the biggest challenge to Japan. The government took varied measures in response to the new situation, but the effect of the oil price increase proved both profound and persistent. The post-oil crisis recession became protracted.

correcting distortions

Superficially, the Japanese economy appeared to be recovering at a satisfactory pace, with its real GNP rising 3.4 per cent in 1975 and 5.8 per cent in 1976 after the 0.3 per cent negative growth suffered in 1974. What really took place however, was a very painful process of readjustment—the readjustment of an economic structure geared to high annual growth rates of nearly 10 per cent for years to the new realities of a markedly decelerating growth. The task was further complicated by the simultaneous need for correcting various "distortions" existing within the economic system. In this difficult process of readjustment, any pervasive sense of buoyancy has not been generated in the Japanese economy as a whole.

In fiscal 1977, anxiety grew that the recovery in business activity was losing momentum. True, real GNP advanced 2.5 per cent in the first quarter of 1977 over the previous quarter and 1.9 per cent in the second quarter. These relatively strong gains were mainly due to exports and fiscal investment expenditures. There were no signs of a rebound in private investment in plant and equipment, the key element of private demand, except in some non-manufacturing industries. Private consumption demand did not show any tangible expansion, either, as a restrained pattern of spending was practiced by Japanese consumers.

Meanwhile, industrial production nearly levelled out after April and even dropped 0.5 per cent in the July-September period from the preceding quarter. This means that the recovery in industrial production faltered before it regained the previous peak registered in the final quarter of 1973. It was the first drop in the quarterly industrial output since it began to turn upward after the first quarter of 1975 when production hit the bottom, or 20 per cent below the previous peak level.

upward trend

After rising to 152.1 or the highest point in the present recession in the January-March 1975, the inventory ratio (the inventory index/the shipment index) improved to 122.2 or close to 120, which is regarded as the normal inventory level. However, it later resumed an upward movement until it reached 130 in the third quarter of 1977. The renewed rise in stocks was in part responsible for a deterioration in market prices for industrial products and raw materials.

It is generally believed that private investment in plant and equipment will show signs of motion when the rate of the capacity utilsation index (1970 equals 100) reaches 90. But the plant operating rate, too, remained on a declining curve—86.5 in the first quarter of 1977, 86.4 in the second and 85.0 in the third quarter.

drop cancels gains

As for the employment situation, the job seeker-job opening ratio recovered to 0.67 in the July-September period of 1976 from the previous low of 0.55 reached in October-December 1975. After the third quarter of 1976, however, the job market indicator turned downward again until it hit 0.53 in July-September 1977, the lowest ratio recorded since the particular statistical series was initiated in 1962. There was some gain in the level of employment in the service industries, but this was cancelled by a drop in the manufacturing sector so that little improvement was made in overall picture.

As for prices, there was little change in the level of wholesale prices in 1977 from the preceding year, though they continued to show minor fluctuations. The behavior of wholesale prices mirrored the continued weakness in demand. In contrast with wholesale prices, consumer prices posted a relatively high 8.6 per cent rate of increase in September-July 1977 from a year ago, though the rate of advance slackened somewhat from the previous year.

Current indications, therefore, suggest that the economy was running out of steam in recent months, pausing in its slow recovery from the post-oil crisis recession. Its sluggish movement attests to the magnitude of the setback sustained during the recession and the time-consuming nature of the adjustments required witch from high growth to a decelera-; economy.

. constant rise in private investment earch of higher productivity and ex- ided scale of production propelled the nomy's high growth in the past. estment activity was most vigorous in manufacturing sector. These invest- its were made in expectation of ained, strong increases in demand in future. The abrupt fall-off in growth e 1974, however, gave rise to a major nand-supply gap. At the same time, changed pattern of income distribu- n in the post-oil crisis years tended to uce the share of the secondary industry l enlarge that of the tertiary sector. ese developments created a sitution ere the manufacturing industries—se of capital and producers' goods in ticular—are pressed to adjust their acity and employment to low growth.

adjustment efforts

The present difficulties of Japanese lustries do not come only from the ownward shift" in the growth rate nd. In a number of industries, enter- ses suffer from relatively higher energy l raw material prices than in other intries, or became vulnerable to com- tition from developing countries. All se developments heighten the need for justment efforts.

Such adjustments forced on Japanese lustries and businesses translate them- ves into a slump of medium-term ration in new plant and equipment vestment and have a deflationary in- ence on the future course of the panese economy. In the field of em- oyment, the "career-long employment" stem unique to Japanese businesses arply limits room for flexible changes in level of employment. Surplus work- rce, as a result, continue to be retained employers in a considerable number industries. This produces a depressing fect on demand for labour, on the one nd, and delays the smooth adaptation the entire economy to the growth celeration.

It is true that new investment and creased demand for labour are found in tertiary industry and part of the condary industry producing durable consumer goods. In each of these industries, however, business behavior is basically governed by a restrained outlook for future economic growth. Therefore, they can hardly be expected to produce a general, stimulating influence on the economy.

depressing influence

The demand slump resulting from the economic adjustment in progress and the setback suffered by the manufacturing sector were mainly responsible for the dampening of demand for imports. The depressing influence of the domestic economic slump on imports was magnified by the fact that industiral raw materials occupy 70 per cent of the nation's annual imports. Imports of manufactured goods, also, are being discouraged by the diminished investment in plant and equipment. In this sense, the current problem of a large trade surplus is a reflection, at least in part, of the adjustment process Japan's domestic economy is undergoing at present.

The government has taken a series of actions to facilitate the Japanese economy's transition to stable growth. It adopted in May 1976 the "Economic Plan for the First Half of the Showa 50s (1976-80)" which was meant to give some basic guidelines for economic management for the period. In fiscal 1976, or the first year of the plan, implementation of the policies under the plan suffered a delay due to certain political developments and other factors. The delayed start may have been partly responsible for prolongging the prseent stagnation. In fiscal 1977, however, the government addressed itself vigorously to task of supporting economic recovery on a priority basis. It boosted the budget's expenditures on public works by 21.4 per cent over the previous fiscal year. It also called for completing contracts on 73 per cent of the planned public works projects for fiscal 1977 in the first half of that year.

In spite of governmental measures to stimulate the economy, developments from mid-year onward made it apparent that recovery in business activity would run out of steam. Attainment of the 6.7 per cent growth goal for fiscal 1977 was held in doubt. Further actions to expand domestic demand were also regarded essential to reduce the external imbalance. The government thus approved an overall economic policy package whose main ingredients were further boosts in public investment and private residential construction, at the beginning of September, for immediate implementation. This was followed by the announcement of a set of measures designed to alleviate the trade imbalance latter in the same month. These trade measures either have been put into effect or are under preparation.

The overall reflation package of September improved the chances for the 6.7 per cent growth goal to be achieved for fiscal 1977 as promised by the government. But the rapid revaluation of the yen against the dollar started in October and the hopes of September were replaced soon by fear that the steep yen revaluation would deflate the economy and result in a lowering of the growth rate.

powerful boost urged

Further actions to stimulate domestic demand have become more urgent than ever in order to bolster growth and regain an external economic equilibrium. An expansionary budget on the part of the government is a definite necessity for fiscal 1978. On the side of public finances, however, the prolonged recession has brought a slowdown in the growth of tax revenues, with the result that the government was forced to finance close to 30 per cent of the general account budget with bond flotations in the two consecutive fiscal years of 1976 and 1977. Technically, therefore, room has drastically diminished for expanding fiscal expenditures for the purpose of stimulating economic activity. But the major problem of the national economy is to ride out the present difficulties of the transitional period and achieve a safe landing in a stable growth orbit. This requires that the government seek a solution to the fiscal deficit problem over a medium term, instead of on a year-by-year basis, acting from this standpoint, Keidanren and Japan's private industry have asked the government to implement a vigorous policy to achieve economic expansion.

MOVING FINGER

The short comment as lso the right one on the controersy over the appointment of the chief ustice of the Supreme Court was the one lelivered by the prime minister at his ress conference last week. As Mr Desai ithily said, lawyers do not appoint judges, he government does. True enough. ut then the government is accountable ot merely to the legislature but to pubic opinion for each and every one of its cts. There is no gainsaying the fact hat the issues raised for the selection of new chief justice of the Supreme Court are of the greatest public importance ecause of a certain specific background nd some very peculiar circumstances.

Normally the seniormost of the judges hould be selected for an elevation. There an be no two opinions on this point for he simple reason that this is one of the nore essential conditions for the preserration and promotion of the indepenlence of the judiciary. However, there an be occasions when a departure from his convention or practice may have to e made, and if this necessity arises, the government should not shirk its responsiility, however onerous or irksome it may e. It is of course of the utmost importnce that there should be no political or lterior motive whatsoever behind the government ignoring the criterion of eniority. Once this requirement is atisfied, the government should be bold nough to act in the public interest.

It is of course true that no judge should e penalised for his political views or his iew of public policy even when they are ound to colour his judicial opinions or lecisions. Judges are also human beings nd citizens. The concept of a totally asptic judicial intelligence or temperament as always been a myth. At the same time, recisely because a judge is a citizen, enoying like other citizens the protection f law and of the economic, political and ocial institutions of a free society, he has a compelling obligation for so discharging his judicial duties that his decisions do not deny that protection to his fellow-citizens. In other words, by virtue of the position he holds, he has at all times to discharge the duties of a trustee of the public in respect of the protection guaranteed to all citizens including himself by the rule of law and the economic, political and social institutions that go with it. Where a judge is held to have betrayed this trust while functioning in his judicial capacity, the opinions expressed or decisions delivered by him should certainly be taken into consideration by the government when it is called upon to consider matters relating to his place in the judiciary.

To be more explicit, the judgments delivered by the Supreme Court on the famous habeas corpus case during the emergency are not matters which can be treated merely as differences in the interpretation of the law by different judges. Here is an instance where the citizen's ultimate right to life and liberty in a political order clearly meant to be governed by the rule of law was made null and void precisely when it became most important for our country and its people that that right should be upheld against the usurpations of an authoritarian regime. In other words judges, whose *raison d'etre* was that they should protect the rights of the citizens under the rule of law, particularly the right to life and liberty, were found to have failed in discharging this primary and ultimate responsibility of theirs. In such situations, there is every justification for following the procedure prescribed in the Constitution for enforcing the public accountability of the judges.

Under clause (4) of section 124 of the Constitution, a judge of the Supreme Court could be removed from his office by an order of the president passed after an address by each house of parliament supported by a majority of the total membership of that House and by a majority of not less than two-thirds o members of that House present and voting has been presented to the president in the same session for such removal on the ground of proved misbehaviour or incapacity. The succeeding clause (5) empowers parliament to regulate by law the procedure for the presentation of an address and for the investigation and proof of the misbehaviour or incapacity of a judge under clause (4). Whether these powers conferred on it should be invoked by parliament on this occasion or not is a matter for parliament to consider. Meanwhile, the government should certainly bear in mind considerations of the public interest in selecting a successor to the present Chief Justice of the Supreme Court. At a time when a nationwide hunt is on for seeking out and punishing people in several walks of life who had in varying ways participated in subverting the rule of law and destroying the basic freedoms of the people during the emergency, it is just not fair that members of the judiciary who may be similarly guilty should be allowed immunity from having to pay for their sins of commission or omission.

True to our reputation as a ritual-prone people, we seem to be elaborating the routine which foreign dignitaries visiting New Delhi have to follow. The latest addition is that VIP guests should fondle the president's grand-children for the benefit of the news cameramen. Indeed when president Carter and prime minister Callaghan were in Delhi recently, their performance of this particular chore was given even more publicity than their going to Rajghat for laying a wreath on the Gandhi samadhi. Incidentally state guests of those days when Rajendra Prasad was in Rashtrapati Bhavan clearly had reason to be thankful that the then president had not thought of this particular means of displaying bonhomie. The first president of India was a patriarch with such an abundance of grand-children that their number probably was the initial provocation for the government of India turning its thoughts towards population control.

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TRADE WINDS

Indo-USSR Trade for 1978

THE TRADE protocol between the USSR and India for 1978 envisages a total turnover of Rs 1056 crores as compared to the expected turnover of around Rs 900 crores in 1977. The protocol was finalised and initialled on December 26, at the conclusion of the visit of the Soviet trade delegation. The present exports from India to the USSR include a number of non-traditional items like steel structurals, storage batteries, garage equipment, hand tools, medical and surgical instruments, aluminium power cables, dry core-cables, electronic instruments, etc in addition to our traditional exports like tea, coffee, spices, cashew kernels, etc. The important addition to the list is the machinery and equipment manufactured at industrial enterprises built in India with the Soviet assistance valued at over Rs 90 million. These are meant for projects set up with Soviet assistance in third countries.

Import List

On the import side are included important raw materials like crude oil to the extent of 1.5 million tonnes, kerosene and diesel oil, urea, muriate of potash, chemicals, DDT, sulphur and number of non-ferrous metals like zinc, nickel, platinum, palladium and other products like cotton, asbestos, newsprint, in addition to machinery and equipment including components, raw-materials, spare parts for the Soviet assisted projects in India.

The trade protocol was initialled by Mr M.A. Kiselev, chief of division, Soviet ministry of Foreign Trade, on behalf of USSR and by Mr Suresh Kumar, joint secretary, ministry of Commerce on behalf of India. The trade protocol will be signed at the level of secretaries later in 1978. The talks between the two trade delegations were held in a cordial atmosphere of friendship and cooperation.

Government Action on Jha Panel

The Finance minister, Mr H.M. Patel, stated recently that the government would try to take decisions on the Jha committee's recommendations as soon as possible. He pointed out that some of the recommendations were far reaching and would require time to study while for other recommendation consultations with state governments would be necessary. The minister, who was addressing the 22nd meeting of the Customs and Central Excise Advisory Council, recalled that the 1977-78 budget had incorporated some of the committee's recommendations in its interim report submitted in April last. A major reform introduced in the budget related to the nomenclature and classification of textile yarns and fabrics and some steps were taken in furtherance of the multi-fibre policy which the government was evolving.

Mr Patel added that the government would carefully study the Jha committee recommendation for the integration of the individual indirect taxes into unified Value Added Tax (VAT) in respect of manufactured products, to begin with. The tax administration and tax laws, he said, must be "dynamic and responsive to circumstances if they are to maximise the revenue without imposing avoidable inconvenience or burden on taxpayer. This is why the process of simplification and rationalisation of laws, rules and procedures, has to be continuous."

Sugar Industry Modernisation

The government has announced that it would not insist on a debt-equity ratio of 1:1 for the modernisation and rehabilitation of the sugar industry. This relaxation has been made only for the sugar industry so as to enable it to speed up the modernisation programme under the soft loan scheme. In a press release, the government has held that the debt-equity ratio of 1:1 need not be insisted upon in the case of modernisation and rehabilitation of sugar factories which affect expansion in terms of the parametres laid down for this purpose. However, it has clarified that this ceiling of 1:1 debt-equity ratio will continue to apply in th case of normal expansions In such cases it would also b ensured by the lending institutions that the guidelines prescribed by the government i regard to effective developmen of the resources of the company before deciding on th grant of loans are adhered to.

Zeera, Turmeric Expor Banned

The government has banned the exports of zeera and turmeric in order to ensure the availability in the domestic market at reasonable prices The ministry of Commerce and Civil Supplies is following a deliberate policy of banning exports of certain spices and permitting imports of some others on OGL basis. The objective is to ensure adequate availability in the domestic market so that the consumer can get the spices at reasonable rate.

Orient Paper

Orient Paper Mills, a large producer of paper and board proposes to set up a paper project near Batarmara in Madhya Pradesh. The project estimated to cost Rs 38.50 crores, envisages a capacity of 36,000 tonnes of paper and boards per annum. The annual production of the project is estimated at Rs 13 crores. The proposed undertaking will be

Demonetisation

The President of India promulgated on January 16, an ordinance withdrawing from circulation currency notes of the denomination of Rs 1,000, Rs 5,000 and Rs 10,000. These currency notes ceased to be legal tender in payment or on account at any place on the expiry of January 16, 1978.

The ordinance was promulgated because there were reasons to believe that the availability of currency notes of the denomination of Rs 1,000 and above facilitated the illicit transfer of money for financing transactions which were harmful to the national economy or which were for illegal purposes.

a division of Orient Paper Mills. The project is proposed to be financed by the company's own resources which would be supplemented by borrowings from financial institutions and banks. The company has received the sanction of the government for setting up the project and is seeking the clearance under the MRTP Act.

Groundnut Production

The groundnut production this year is estimated at 5.5 million tonnes, according to the latest official assessment. An official note on the crop situation stated that firm estimates for 1977-78 groundnut production were not yet available. While the condition of the standing crop was reported to be on the whole satisfactory the yield is not expected to be as good. The rains in September and early October in groundnut producing states which might have helped to improve the per hectare yield, did not materialise. Thus, against the earlier estimate of about 6.1 million to 6.2 million tonnes the current year's crop might be of the order of 5.5 million tonnes, which will be marginally higher than the 1976-77 crop of 5.26 million tonnes, but much lower than the bumper harvest of 6.96 million tonnes in 1975-76.

Quality Control of Electrical Appliances

The Electrical Appliances Manufacturers' Association has expressed concern over the governments' recent notification to give effect to quality control order under Essential Commodities Act with respect to electrical appliances effective from January 1,1978. The concept of the government in taking domestic electrical appliances under Essential Commodities Act was apprehended by the association as these appliances in no manner fulfilled the conditions of the said Act. As a consequence of lack of testing facilities with ISI, SISI and other testing laboratories, the articles of many of its members would remain stocked without sale for want of quality control certification. Another disturbing feature was that these laboratories did not have enough man-power and capacity to serve a vast army of associations' members. Moreover the testing laboratory to be set-up at the Directorate of Industries had not so far taken shape, which was exclusively to serve the needs of small scale sector. It is feared that lack of testing facilities and manpower would seriously affect the interests of the industry, especially of the small-scale sector.

Deep Sea Fishing

In a major policy decision the government has decided to allow three large scale industries—Tata, Chowgules and Kelvinators—to diversify into deep sea fishing. Two other new companies which will be joint ventures with Nigeria and Bulgaria have been given licences for deep sea fishing. The government has decided to allow diversification of large houses in deep sea fishing, keeping in view the enormous export potential of marine products. Various market studies have shown that marine products can emerge as one of the major source of foreign exchange earnings for this country, for outweighing the investment required for importing trawlers. In deciding to allow large industry to enter this field, necessary safeguards are being taken to protect the interests of small and medium scale fishing concerns. According to latest guidelines which have been evolved by the Agriculture ministry, they will only be allowed to operate in sectors which are beyond the scope of others in this field. For instance, the government would welcome their operations based on the Andaman and Nicobar islands or at Lakshadweep. They would also be permitted to function off the shore of backward areas, where fishing has not yet developed sufficiently.

NAFED to Procure Gram

The government has decided to entrust procurement of gram at support prices of Rs 125 per quintal to NAFED during 1977-78 season. The decision to raise the support price of gram from Rs 95 to Rs 125 per quintal was on the report of the Agricultural Prices Commission and the study made by the department of Agriculture on price policy for the year 1977-78. The increase in the support price by Rs 30 per quintal coupled with the special efforts made by the ministry of Agriculture to boost the production of various pulses particularly gram, toor and masoor will have a positive impact for encouraging farmers to bring larger acreage under pulses. Rabi pulses form nearly 57 per cent of the area under pulses and account for 64 per cent of the production. Of these gram is the major pulse which accounts for nearly 45 per cent of the total production and is mainly produced in the states of Punjab, Haryana, Rajasthan, Madhya Pradesh and Uttar Pradesh covering an area of 70 lakh hectares.

The NAFED has already been entrusted with price support operations in respect of major oilseeds namely, groundnut, soyabean and sunflower during the past two years. During the current year, the oilseed prices were ruling much above the support prices of Rs 160 and Rs 150 respectively in respect of groundnut and sunflower seeds. However, the price of soyabean did not tend to decline below the support price of Rs 145 per quintal and the NAFED undertook price support operations mainly in Madhya Pradesh where it stabilised the prices by procuring nearly 400 tonnes at the support price of Rs 145 per quintal for fair average quality.

NAFED has also arranged import of 10,000 metric tonnes of masoor from Turkey which is already being distributed in masoor consuming states at reasonable prices through the cooperative and other institutional agencies.

Incentive to Farmers

Entrusting price support operations in respect of gram to the NAFED for the first time will ensure the incentive for growers by way of support price and also make it possible for time procurement in all important gram growing areas through the network of marketing cooperatives coming under the fold of the NAFED. NAFED will not have to set up any separate machinery or incur expenditure for undertaking the price support operations in respect of the gram this year. The Federation which is already undertaking various measures for distribution of essential commodities such as edible oil, tea, pulses, onion, potatoes, eggs etc, in various parts of the country will be in a position to distribute gram during the off-season at reasonable prices in case it is able to muster sufficient stocks at support prices during the ensuing Rabi season.

Sikkim's Annual Plan for 1978-79

The outlay for the annual plan of Sikkim for 1978-79 will be of the order of Rs 15.80 crores. This was decided at a meeting held between the deputy chairman, Planning Commission and Kazi Lhendup Dorji, chief minister of Sikkim recently. The sectoral distribution of the approved outlay is as follows: (The figure are in Rs lakhs) Agriculture & Allied Services 452.7; Transport & Communications—424.8; Social & Community Services—358; Power Development & Water—175; Cooperation—20; Industry & Minerals—109; Economic Services—2.5; General Services—33 and Sericultural Development—5.00.

Provisions of Packaging Rules

The government has extended the date of implementation of the new provisions of the Standards of Weights Measures (Packaged Commodities) Rules, 1977 from January 1, 1978 to April 1, 1978. A notification for bringing into force the provisions of the Standards of Weights and Measures (Packaged Commodities) Rules was issued by the Directorate of Weights and Measures, ministry of Civil Supplies and Cooperation, on September 26, 1977—the day the Packaged Commodities (Regulation) Order, 1975, ceased to have legal force. According to the notification, these provisions of the rules which correspond to the 1975 order became operative with effect from September 26, 1977. The rules also contain new provisions which were not included in the earlier order. In respect of these provisions, January 1, 1978 was selected as the date on which these would come into force.

Representations have since been received by the central government from trade and industry pleading for waiver or modification of the new provisions. Since it will take some time to examine all these representations and arrive at a decision, the date of implementation of the new provisions has been extended to April 1, 1978.

FICCI Awards

The Federation of Indian Chambers of Commerce and Industry announced its annual awards for outstanding contributions by individuals, companies and institutions in the various fields of socio-economic development, including research in science and technology. In the field of agriculture, College of Agriculture, Punjab Agricultural University, Ludhiana will receive the award for bringing improved varieties of crops and horticultural plants carrying out experiments on the best use of fertilisers and irrigation and developing improved agronomic practices. The export promotion award will go to the Engineering Projects (India) Ltd for its unbroken record of achievement in export of equipment and obtaining turnkey projects abroad. The Projects and Equipment Corporation of India, subsidy of STC will also be awarded for a breakthrough in the exports of the sophisticated items to the newer markets. For industrial relations the Dharangadhra Chemical Works, Suhutaram have been awarded for their excellent industrial relations. The company has no lockouts or go-slow since 1969. The Central Food Technological Research Institute, Bangalore, will get the award for developing the Coca Cola substitute "77."

Defence Industries Exhibition

The Defence minister, Mr Jagjivan Ram, will open the "Defence Industries Exhibition, 1978" in New Delhi on January 27. For the first time ever, such a comprehensive display of industrial products has been organised as a part of the week-long Republic Day celebrations in the capital. A wide range of arms and equipment manufactured in India will be on display at the exhibition which will be held at the TDA pavilion in the Pragati Maidan in Delhi. Also on display will be a large number of items that could be taken up for manufacture by the civil sector.

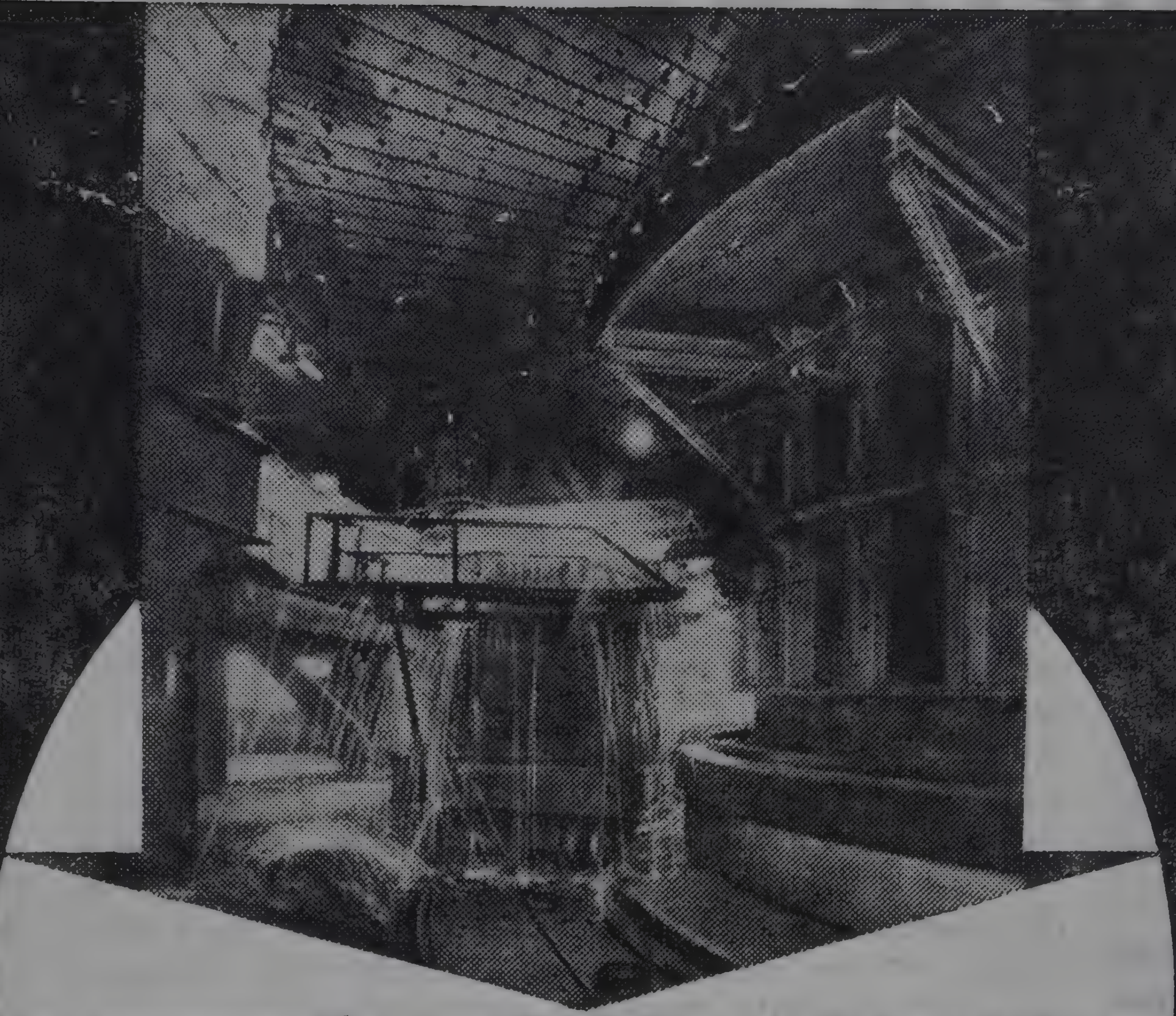
All the nine defence public sector enterprises, ordnance factories and departmental undertakings, the Defence Research and Development Organisation and the Directorate General of Inspection are taking part, besides the army, navy and the air force. Defence industries last year produced goods worth over Rs 865 crores — including Rs 465 crores by the ordnance factories and Rs 400 crores by the defence corporations. The ordnance factories represented total capital assets worth Rs 351 crores in 1975-76 (as against Rs 40 crores in 1959-60). The public sector undertakings represented a total capital investment, equity and government loans, of over Rs 235 crores in 1976.

The ordnance factories have achieved self-sufficiency in small arms production for the infantry like rifles, mortars, carbines and machine guns. They are also producing mountain gun recoil-less gun, anti-tank gun tank guns and heavy morta for artillery and the armoure corps. A new ordnance factor has recently started productio of the India field gun for th artillery and a considerab headway has been made o development of an improve and lighter version of this gur An ordnance factory is producing Shaktiman 3-ton, Nissan 1-ton and Nissan Patrc vehicles and indigenous content of these vehicles, at present, is 94 per cent, 80 per cer and 82 per cent respectively Besides these items, the ordnance factories produce variou fire control instruments, binoculars and airfield lightin equipment.

Among the defence publi sector undertakings, th Hindustan Aeronautics Limite are manufacturing MiG, Aji and HS-748M aircraft an Chetak and Cheetah helicopters for Air Force. Bhara Electronics Limited is producing sophisticated electronic communication equipment an radars for the three services Mazagon Dock is buildin Leander Class Frigates for th navy. Garden Reach Shi Builders and Engineers is producing Ocean Going Tugs Seaward Defence Boards an Survey Vessels for the navy The total value of productio for defence by the nine defenc public sector undertakings wa approximately Rs 1,880 crores a little less than half the value of their total production during 1975-76.

Names in the News

Mr V.S. Natarajan has been appointed managing director of the State Bank of India for a period of three years. Mr Natarajan joined the Imperial Bank of India as probationary assistant in 1943.



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MADRAS-18 : 50-A, St. Mary's Road, Alwarpet.

INTERADS/78

COMPANY AFFAIRS

Gujarat Aromatics

Gujarat Aromatics Limited, a company promoted by Gujarat Industrial Investment Corporation in association with Raipur Manufacturing Company of the Kasturbhai Lalbhai group, is entering the capital market on January 23 with a public issue of 15,97,400 equity shares of Rs 10 each and 10,000, 11 per cent cumulative preference shares of Rs 100 each, both to be subscribed for cash at par. The list closes on February 3 or earlier at the discretion of the management, but not before January 25.

The proceeds of the issue are to be utilised for meeting part of the Rs 9.5 crores cost of the chemicals project being set up at Ankleshwar in the Broach district of Gujarat to produce annually 5,000 tonnes synthetic cresols, 7,350 tonnes sodium sulphite, 1,160 tonnes sodium sulphate, 5,900 tonnes gypsum and 1,310 tonnes soda ash. Apart from the equity and preference capital, the project is being financed through long-term loans aggregating to Rs 5.99 crores and central subsidy of Rs 15 lakhs (applicable to backward areas).

The implementation of the project is stated to be progressing according to schedule. It is expected to go on stream in April, 1979. The mechanical completion is envisaged by the end of the current calendar year and trial runs are proposed to be undertaken in the first quarter of 1979. It is expected to yield commercial production to the order of 60 per cent in the first year, 75 per cent in the second year and 100 per cent in the third year· The break-even point is anticipated to be achieved in the very first year of commercial operations.

The company is confident that its synthetic cresols will find a ready market, as the entire requirements of this product are currently met through imports. The demand for the item, currently assessed around 6,180 tonnes, is expected to grow to nearly 8,650 tonnes by 1980. Both the main market for synthetic cresols and the sources of raw materials required to produce the chemical are not distant from the site of the project.

Technical Collaboration

The technical collaboration for the venture has been arranged from M/s Mitsui and Company of Japan and its subsidiaries M/s Honshu Chemical Industry Company Limited and Mitsui Engineering and Ship-building Company Limited. More than 60 per cent of the equipment is being procured from indigenous sources. The foreign exchange component, earlier estimated at Rs 1.32 crores, has now been brought down significantly to around Rs 80 lakhs.

At full capacity, the turnover is expected to be worth Rs 9.5 crores. The plant has been designed in such a way that its capacity can be doubled through installation of additional equipment. The technology secured is versatile which can be used for the manufacture of various other chemicals. There is no royalty involved on the technology. It has been procured on a lump sum payment of Rs 81 lakhs. When in full production, the project will help in saving annually foreign exchange worth Rs 3 crores.

Shree Vallabh Glass

Sales of Shree Vallabh Glass Works during the nine months ending December 1977 have shown a significant increase to Rs 9.30 crores against Rs 8.14 crores for the whole of the previous year. On current performance, the company hopes to better its turnover for the year ending March 1978. All the plants of the company such as sheet glass, figured and wired glass, safety glass and mirror glass are working satisfactorily and the company's order books are full.

On the export front too, the company has shown encouraging results, with exports up to end of December 1977 reaching Rs 1.75 crores against Rs 1.13 crores during 1976-77. Orders have been received from several countries including the USA, Singapore, Indonesia, Malaysia, West Asian and African countries. The company's new diversification plans for sheet figured glass in Gujarat are progressing according to schedule.

Hindustan Lever

The public issue of 3.26 million equity shares of Rs 10 each at a premium of Rs 6 per share by Hindustan Lever was oversubscribed by 9.5 times. The company received 161,525 valid applications for 30.87 million shares, which is stated to be the largest response to any public issue so far. The company has finalised th basis of allotment in consultation with the Bombay Stoc Exchange. Lots will be draw for applications for shares upt 475. The directors have attempted to have as widespread distribution of the new shareholding as possible by allottin shares to 45 per cent of th total number of applicant that is, 72,346 out of 161,52 applicants. The directors hav given additional weightage t the smaller investor by allotting 61 per cent of the share available to applicants for u to 275 shares. Out of the tota number of 72,346 allottees 91 per cent or 65,886 person have been allotted 50 share or less to ensure widespread dispersal of the shareholding On the completion of allotment in the above public issue the company will have 95,00 shareholders (including existing shareholders) which wil be the largest number o shareholders of any compan in India.

India Foils

India Foils Ltd. has take up a phased modernisatio programme of its plant as a part of which two aluminium and oil rolling mills are unde installation. The company als proposes expansion of aluminium foils manufacturing capacity from 3000 MT to 3750 MT per annum. The government has agreed to issue an industrial licence under the following conditions: export obligation of 40 per cent of the proposed additional production of five years, electronic condenser grade foils will be manufactured to the extent of 20 per cent of the additional capacity and to produce superior quality foils as early as possible.

The company will issue equity share to public for an mount sufficient to bring down he foreign equity holding to 6.66 per cent. The company ntered the capital market on anuary 18, 1978 with a public ssue of 425,000 equity shares f Rs 10 each at par. The ubscription list will close on anuary 31 or earlier but not efore January 20, 1978. The resent issue is 500,000 equity hares of Rs 10 each at par. Out of this issue 50,000 shares re allotted to the directors, heir relatives and friends and 25,000 equity shares of Rs 10 ach are allotted to the permanent employees of the company and the balance of 425,000 equity shares of Rs 10 each have been offered to the public which is fully underwritten by the financial institutions, banks, insurance and brokers in various proportions. The main object of the issue s to reduce the holding of the share capital of the company of non-residents.

Gwalior Rayon

Gwalior Rayons is establishing a new record of exporting about over 20,000 onnes of sodium sulphate this year. It has already shipped 12,650 tonnes by the end of November, 1977 and is holding contracts for another 8,000 onnes. The company started xporting the chemical for the irst time in 1974-75 by shipping about 5,000 tonnes. By igorous marketing efforts, it vas able to push up exports o 8,200 tonnes in 1975-76 nd to 10,600 tonnes in 1976-77. This year the company vill be doubling it's last year's performance. Sodium sulphate exported by the company has been well received by Iran, ast Africa, Philippines, Malaysia, Singapore, Bangkok, angladesh and Taiwan. Apart rom sodium sulphate, the ompany is actively busy exporting plant and machinery for the manufacture of staple fibre. The company has already exported in the past complete staple fibre plant on turnkey basis to South Korea, valued at $7 million. They have also exported major staple fibre plant and equipment to Bangkok for a joint venture. At the moment it is actively negotiating further contracts.

Chloride India

Chloride India proposes to dilute its foreign equity. It proposes to issue 938,100 equity shares of Rs 10 each on cash at a premium not exceeding Rs 15 per share as may be approved by the Controller of Capital Issues and agreed to by the board. Out of these 742,749 shares will be offered in the first instance as rights shares to the shareholders who are Indian nationals resident in India. As many as 95,351 shares will be offered for subscription to the directors and employees of the company who are Indian nationals resident in India subject to a limit of 150 shares per person and 100,000 shares will be offered for subscription to the UTI, LIC, GIC and its subsidiaries. These shares proposed to be issued will not qualify for any interim dividend that may be declared for the year ending August 1978, but for a pro-rata final dividend for the year on the amount paid-up.

The proceeds of the issue will be utilised for meeting the requirements of the existing activities and new projects including the proposed Haldia plant for which a letter of intent has been received. The Haldia plant will be a 100 per cent export oriented unit for the manufacture of special types of storage batteries. Land has been acquired and detailed plans covering other aspects of the project are being drawn up. The company has also received a letter of intent for the manufacture of torpedo bettery cells, for which manufacturing facilities will be set up in one of the existing factories. The development work in respect of a major import substitution project for battery separators has proved successful. Work is now in hand for setting up the related manufacturing facilities which when commissioned, will allow considerable cost savings to be effected.

Oil India

The managing director of Oil India Ltd, Mr C. R. Jagannathan, accompanied by the finance director, Mr S. N. Bhatt recently presented dividend cheques aggregating Rs 4.49 crores to the minister for Petroleum and Chemicals and Fertilisers, Mr H.N. Bahuguna. In addition, a cheque was also handed over for Rs 33.56 lakh representing the balance of the price discount over the years in respect of the value of crude oil supplied by the company to the refineries of the Indian Oil Corporation.

It may be recalled that pending resolution of some outstanding issues between the government and the Burmah Oil Company Ltd, since 1971, the accounts of OIL had not been finally closed for the years 1971 to 1976. Meanwhile, interim dividend of seven per cent (net of taxes) for each of these years was declared and paid to the shareholders. These outstanding issues between the two partners having been settled recently, the company has now finally closed the accounts for the six years and the final dividend of four per cent, making up a total dividend of 11 per cent (net of taxes) per annum has been declared by the company. As dividend tax is not payable by the government, its share of the dividend roughly works out to 14.66 per cent.

SKG Sugar

SKG Sugar Ltd's working results show a surplus of Rs 27.04 lakhs before depreciation for the year ended June 20, 1977, against a profit of Rs 31.04 lakhs (before depreciation) in the previous year. After adding Rs 1.25 lakh being development rebate reserve written back and the balance of Rs 14.60 lakhs brought forward from the last year, the amount for appropriation comes to Rs 42.89 lakhs. A net deficit of Rs 4.81 lakhs has been carried forward after providing Rs 24.27 lakhs, for depreciation, Rs 10.90 lakhs for bonus and Rs 12.53 lakhs for interest on excess realisation on levy sugar. In view of carried forward loss, no dividend has been recommended.

Increased Crushing

The sugarcane crushed at the company's units increased by 14.24 per cent to 3,529,000 quintals during the year from 3,089,000 quintals in the previous year. The recovery increased to 9.24 per cent from 8.85 per cent in the previous year. The cane availability for the current year is expected to be about 20 per cent higher than last year and with better quality cane, recovery is likely to be higher.

In spite of the improved operating results, the sugar division has not shown improved financial results mainly on account of sharp decline in levy and free sale realisation. The results of the company's distillary division have not been satisfactory on account of increase in cost of molasses and unremunerative price of the spirit.

Chitavalsah Jute Mills

Chitavalsah Jute Mills has incurred a net loss of Rs 22.24 lakhs for the year ended July, 1977 after providing Rs 13.72 lakhs (Rs 16.09 lakhs) for depreciation against a net profit of Rs 1.32 lakhs in the previous year. After adjusting the credit balance of Rs 1.78 lakhs brought forward from the previous year and development rebate reserve written back amounting to Rs 2.53 lakhs, a debit balance of Rs 17.93 lakhs has been carried forward to the next year. Sales were lower at Rs 6.97 crores against Rs 8.09 crores in the previous year.

The directors' report says that the year under review was one of the most difficult ever faced by the jute industry. Coupled with poor demand and consequential low prices for jute and goods, it was the second successive year for a short raw jute crop. The report further states that the working results for the year would have been substantially better but for the unsatisfactory labour situation. Despite the adverse circumstances, the directors are hopeful of achieving improved results during the current year.

UP Twiga

UP Twiga Fibreglass proposes to enter the capital market sometime in April with a public issue of 1,097,500 equity shares of Rs 10 each at par. The entire issue has been underwritten. The company has been promoted as a joint venture by a group of overseas Indians together with the government of Uttar Pradesh through its two fully-owned corporations, Pradeshiya Industrial and Investment Corporation of UP and UP State Industrial Development Corporation. The private promoters have extensive business and industrial interests and experience in Africa, the UK, Canada, Morocco and now in India. The first phase of the project is estimated to cost Rs 7.70 crores, which will be met by share capital (Rs 2.50 crores in equity and Rs 10 lakhs in preference shares), rupee term loans (Rs 3.80 crores) and foreign exchange loans (Rs 1.30 crores).

Ajanta Tubes

Ajanta Tubes will issue on January 23, 720,000 equity shares of Rs 10 each and 30,000 (11 per cent) cumulative redeemable preference shares of Rs 100 each at par. The proceeds of the full underwritten issue will be utilised for financing partly the Rs 3.88 crore project being set up at Ghaziabad (UP) for manufacturing steel pipes and tubes. The company holds an industrial licence to manufacture annually 72,000 tonnes. The first phase was completed in 1975 for manufacturing pipes from 15 mm to 75 mm diameter. All the major plant and machinery for the second phase to manufacture 100 mm and above diameter has been installed and production started in October 1976. Certain ancillary equipment is expected to be installed by the middle of this year.

During the year ended January, 1977, sales totalled Rs 64.39 lakhs and job work Rs 60.71 lakhs. For the first five months of the current year (February-June 1977) sales have totalled Rs 106.54 lakhs and job work Rs 14.76 lakhs. Although steel tubes of lesser diameters are manufactured in quantity and quality, those above 150 mm diameter makes the company one of the very few in India. These pipes have a good market both at home and abroad. The compar
does not anticipate any dif
culty in marketing its enti
production. The country's e
ports of steel tubes totalle
Rs 60 crores in 1976-77.

Golden Tobacco

Out of the dividend at 12 p
cent as recommended by t
directors of Golden Tobac
Company Ltd for the ye
ended June, 1977, 38 per ce
of the dividend will be exem
ted from income tax. T
company has received t
necessary provisional certifica
to this effect from the incon
tax authorities.

Western India Erector

Western India Erectors Lim
ted, Pune, constructional eng
neers undertaking erection
large industrial and power pr
jects in India and abroad, ha
obtained medium term Eur
Dollar Loan of US $1.44 mi
lion to meet their foreign cu
rency requirements for tw
contracts to erect power statio

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nd sub-stations in Iraq and ran. The total value of the ontracts is about US $8 mil-on. The loan was arranged rough Merchant Banking ivision of Grindlays Bank td. It is reported that this oan is one of the first of its ind where an Indian company as resorted to Euro-Currency orrowings to finance its re-uirements in connection with verseas erection contracts.

Rallis India

Rallis India has passed over oth the equity and preference ividends for the year ended ugust, 1977 following a set-back. Last year, the equity ividend was 12 per cent on he enlarged capital arising rom the rights shares which vere entitled to pro-rata payment. The year before, the lividend was 15 per cent. Although sales are up at Rs 132.98 crores from Rs 105.08 crores, it has suffer-d a loss of Rs 119.24 lakhs. Last year, the gross profit had leclined to Rs 196.09 lakhs rom Rs 364.61 lakhs in 974-75 when the sales were Rs 94.57 crores. With the hange in the method of depreciation, there is an excess of Rs 153.96 lakhs. As a result, he loss has been converted nto a surplus of Rs 34.72 akhs. While it has provided Rs 104 lakhs for stock obsoles-ence and Rs 24.11 lakhs for ontingency reserve, there is a ebit of Rs 93.39 lakhs.

Capital and Bonus ssues

Consent has been granted to 5 companies to raise capital of s 123.65 million. The details e as follows:

Aluminium, Industries (Assam) vt Limited, Tinsukia, Assam as been accorded consent, lid for six months to capitalise s 2,64,500 cut of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Barmalt (India) Pvt Ltd, New Delhi, has been accorded consent, valid for six months, to capitalise Rs 3,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

South East Footwear Ltd, Madras, has communicated to the government its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order 1969, as indicated below: Rs 50,00,000 divided into 5,00,000 equity shares of Rs 10 each for cash at par, to meet a part of cost of the manufacturing unit to be set up in Solur village, near Ambur, North Arcot district.

Revathi CP Equipment Ltd, Coimbatore, has communicated to government of its proposal to issue capital under Clause (5) of the Capital Issues (Exemption) Order 1969 as indicated below: Rs 58,88,000 divided into 4,40,000 equity shares of Rs 10 each and 14,880 preference shares of Rs 10 each for cash at par to meet a part of the project cost to be located at Coimbatore, Tamil Nadu.

Rural Electrification Corporation Ltd, a government company having a paid up equity capital of Rs 67 crore has been accorded, consent for issue of bonds of the value of Rs 10 crore (with a right to retain excess subscription upto 10 per cent of Rs 10 crore) for cash to the general public by a prospectus at a discount price of Rs 99 per Rs 100.

The Parkside (Neilgherry Hills) Estate Company Limited, Coonoor, Tamil Nadu, has been accorded consent, valid for six months, to capitalise Rs 14,88,960 out of its general reserve and issue 1,48,986 fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for four equity shares held.

The Kil Kotagiri Tea and Coffee Estates Company Ltd, has been accorded consent, valid for six months, to capitalise Rs 5,15,124 out of its general reserve and issue fully paid equity shares of Rs 2 each as bonus shares in the ratio of one bonus share for four equity shares held.

Vijay Spinning Mills Ltd, Vijayawada, Andhra Pradesh has been accorded consent, valid for six months, to capitalise Rs 6,51,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every four equity shares held.

Maddi Venkataratnam and Company Private Limited, has been accorded consent, valid for six months, to capitalise Rs 4,00,000 out of its capital reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for three equity shares held.

Wartyhully Estates Ltd, Bangalore, has been accorded consent, valid for six months, to capitalise Rs 9,00,000 out of its general reserve and issue fully paid equity shares of Rs 2 each as bonus shares in the ratio of one bonus share for every two equity shares held.

Patel Engineering Co (Saurashtra) Ltd, Rajkot, has been accorded consent, valid for six months, to capitalise Rs 2,88,800 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

J.N. Marshall Pvt Ltd, has been accorded consent, valid for six months, to capitalise Rs 12,50,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

Yashman Engineers Ltd, Thana, has been accorded consent, valid for six months, to capitalise Rs 4,40,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

The Peria Karamalaj Tea and Produce Co Ltd, Coimbatore, has been accorded consent, valid for six months, to capitalise Rs 23,17,952 out of its general reserve and issue fully paid equity shares of Rs 2 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Oriental Carpet Manufacturers (India) Limited, Amritsar, has been accorded consent, valid for six months, to capitalise Rs 17,50,000 out of its general reserve and issue fully paid equity shares of Rs 10 each in the ratio of one bonus share for every four equity shares held.

Straw Products Ltd, Koraput Orissa, a public limited company registered in the state of Orissa and having a paid up capital of Rs 4,98,69,740 has been granted consent, valid for a period of 18 months, for issue of equity shares worth Rs 21 lakhs and preference shares of Rs 3 lakhs to the shareholders of Madhya Pradesh Industries Ltd, in terms of and in accordance with the scheme of amalgamation approved by the High Courts of Madhya Pradsh and Orissa.

IOL

Mr. K. D. MOORE

(The following is a slightly abbreviated version of the Statement of Mr. K. D. Moore, Chairman, Indian Oxygen Limited. The full text has been circulated to the shareholders along with the Company's Annual Report for the year ended 30 September 1977.)

During the year under review the most significant event was the change in the complexion of the Governments at the Centre and in many of the States. The new Central Government has indicated a shift in priorities with a view to bringing about over a period changes in the country's socio-economic environment. It is to be hoped that the economic and industrial policies will continue to provide a climate favourable for growth in all sectors of industry since there is a substantial degree of inter-dependence of one on another and each has its contribution to make towards increasing the national output and elimination of poverty.

The trend of economic development changed course during the 12 months ending September 1977. The fiscal year ending March 1977 showed a rise of about 10% in industrial production although the increase in GNP was only about 2% due to a fall in agricultural outputs. However, from April 1977 industrial production also began to show a declining trend, mainly on account of widespread power shortages and labour unrest. Another problem was the continuing demand recession in a large number of industries especially those manufacturing consumer durables, machine tools and heavy machines.

Against this background the Company's performance during the year may be regarded as satisfactory.

OPERATIONS

The turnover for the year at Rs 48.05 crores exceeded the previous year's figure by 8%. All activities other than Plant Manufacturing contributed to the enhanced turnover; volumetric sales of almost all products were higher than the previous year. The increase in turnover would have been greater but for the adverse impact of severe power constraints in several parts of the country and deceleration in industrial production during the second half of the year.

The activities of the Product Divisions and Departments are dealt with separately below.

GASES DIVISION

Gases Division sales excluding exports at Rs 22.95 crores were Rs 1.22 crores more than the previous year's figure. Higher volumetric sales were achieved in all product groups despite growing competition and an environment of subdued and often interrupted industrial activity on the part of our customers.

The Special Gases Centre continued to make an encouraging contribution; the IOLAR range of gases introduced to meet the need of specialised and vital sectors of industry has been well received in the market.

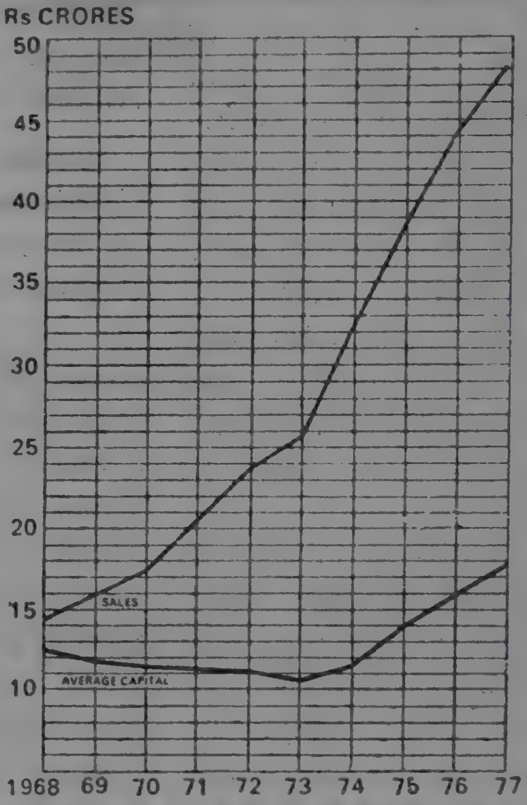
The project for manufacture of hydrogen at Asansol is nearing completion and the plant is expected to be on stream by January 1978. At Jamshedpur, the installation of the argon purification plant is expected to be completed within the first half of the Company's current financial year

WELDING & ENGINEERING PRODUCTS DIVISION

W&EP Division sales excluding exports at Rs 17.40 crores were Rs 1.58 crores higher than in the previous year. Although volumetric sales of mild steel electrodes were marginally behind last year, those of special electrodes registered a welcome increase. A higher trend in sales was maintained in gas welding and cutting equipment, medical equipment and arc welding equipment in spite of a perceptibly lower demand for capital goods. Competition in this as in other fields of the Company's business remains keen.

The Division continued with its development programmes for new products to provide better market coverage and wider customer satisfaction, particularly in high technology areas of welding. Several new stainless steel and hardfacing electrodes were developed, some of these to meet the special needs of certain customers. Other products introduced during the year included a new hand scarfing blowpipe, two types of multi-operator transformers to meet the special requirements of the shipbuilding industry, two air-cooled transformers for use in structural site construction, a welding rectifier of a higher capacity and TIG torches for specialised root welding applications.

TOTAL SALES AND AVERAGE CAPITAL EMPLOYED

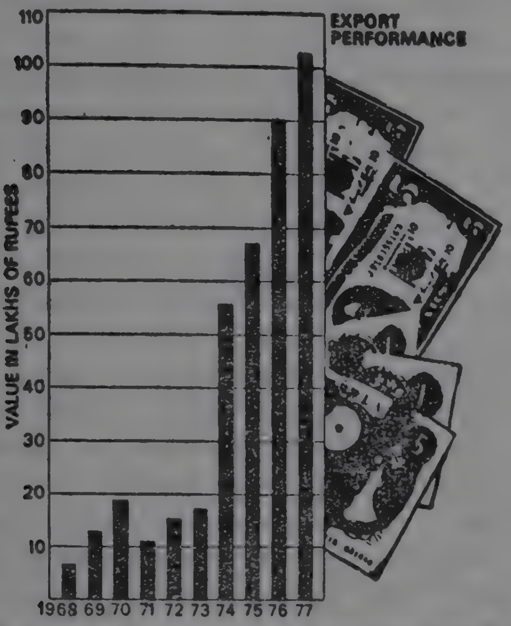


LOX DEPARTMENT

Sales of liquid oxygen explosives to the iron ore and coal mining industries were the highest ever at Rs 97 lakhs reflecting our customers' appreciation of the high level of technical support and service that is necessary in this area of our activities.

PLANT MANUFACTURING DEPARTMENT

The Department's sales at Rs 1.20 crores excluding exports fell short of the previous year's figure by Rs 36 lakhs. The lower turnover reflected the recessionary trends in the economy, particularly for capital goods. However, the Department has a substantial order book for both customer and in-house requirements and shopfloor facilities were utilised at a satisfactory level. These activities included work in relation to the supply of indigenous components for a 1200 M³/hour oxygen plant and its installation for a joint sector undertaking in Maharashtra.



EXPORT

Export turnover crossed the Rs 1 crore limit for the first time and at Rs 1.02 crores was 13% higher than the previous year. However, the future outlook for exports remains uncertain for various reasons including establishment of manufacturing capacities in the buying countries and scarcity of foreign exchange resources. Added to these external constraints is the unsatisfactory shipping situation in the country which has proved to be a serious impediment to export efforts.

PROFIT, TAXATION AND DIVIDEND

The profit for the year before taxation amounted to Rs 5,10,16,493 as against Rs 4,80,32,071 last year, after providing depreciation of Rs96,82,000 (previous year Rs 98,27,000) and interest charges of Rs 85,07,962 (previous year Rs 73,28,433). The increase in profit was mainly due to rise in sales.

Tax provision for the year amounted to Rs 2,94,00,000 (previous year Rs 3,08,00,000) leaving a net profit of Rs 2,16,16,493 as against Rs 1,72,32,071 last year. After taking into account an amount of Rs 15,00,000 which had been rendered surplus out of tax provisions made in earlier years, transfers to and from Investment Allowance Reserve and Development Rebate Reserve, and the balance of Rs 15,07,748 brought forward from last year, the amount available for appropriation was Rs 2,31,24,241 (last year Rs 2,07,45,748). Your directors have decided after careful consideration to transfer Rs 92,00,000 to General Reserve and to recommend payment of dividend at the rate of 20%, subject to deduction of tax, leaving Rs 16,04,241 for carry forward to next year.

FINANCE AND SHARE CAPITAL

The growth in the Company's activities during the year, both in terms of volume and value, entailed a need for higher working capital and the Company's overdraft facilities were enhanced from Rs 565 lakhs to Rs 640 lakhs on a consortium basis from Punjab National Bank, The Chartered Bank, Grindlays Bank Limited and United Bank of India. The enhanced overdraft facilities are being fully utilised.

FINANCIAL HIGHLIGHTS	1977	1976
Sales	Rs 48,05,02,000	Rs 44,39,25,000
Profit before Taxation	" 5,10,16,000	" 4,80,32,000
Profit after Taxation	" 2,16,16,000	" 1,72,32,000
Dividend subject to deduction of Tax	" 1,23,20,000	" 1,10,88,000

At the last Annual General Meeting resolutions were adopted approving the issue of 20,53,333 new ordinary shares of Rs 10 each as bonus shares in the proportion of one new share for every three shares held by members on such date as the directors might determine. The necessary approvals of the Controller of Capital Issues and of the Reserve Bank of India have been received and the Board has decided to allot the bonus shares to those shareholders whose names are on the Company's Register of Members on 7 February 1978.

A decision is yet to be received from the Reserve Bank of India under the Foreign Exchange Regulation Act, 1973 on the level of foreign equity participation in the Company. When this decision is known, consideration will be given to the most appropriate way of complying with it in the best interests of the Company, its majority shareholder and its other shareholders.

DEVELOPMENT AND EXPANSION

An application was made during the year for an industrial licence in respect of a new factory at Barbil in Orissa for manufacture of liquid oxygen explosives. This project is intended to meet the identified needs for explosives for opencast mining in Bihar and Orissa. An undertaking has been given that no part of the oxygen produced for this project will be sold or used for any other purpose. We hope that favourable consideration will be given to our application at an early date.

The activities of the R&D Department continued satisfactorily; another pilot plant is under installation at the Technical Centre at Beliaghata, Calcutta, for trial production of certain chemicals on the basis of know-how developed by the Department. Meanwhile, considerable work has been done to confirm the commercial viability and to establish process and production plans for other products previously manufactured on a pilot scale at the Centre.

I have to report with much regret that despite considerable efforts on the part of the Company and a further visit from a BOC technical adviser, a final decision has still not been taken by the Government of India on the Company's major diversification project for manufacture of a range of chemical products based on castor oil. This project has been under the active consideration of the Government for nearly 3½ years and I can only hope that a favourable decision will be taken at an early date.

MANAGEMENT AND PERSONNEL

Although there was a marked deterioration in the industrial relations climate in many parts of the country in the second half of the year, industrial relations in the Company remained satisfactory except for disruption at one unit for a short period.

During the year several issues were settled locally through bipartite negotiations with unions representing our employees, although negotiations at certain other units remained inconclusive and will be continued. Negotiations were recently commenced with a union representing a large number of the Company's employees on their charter of demands and other issues. The subsisting settlements regarding salary/wage scales of our employees throughout the Company will also expire during the current year. It is hoped that negotiations on these important subjects can be concluded peacefully and on terms acceptable to both parties.

The welfare of our employees retains its important place in our concern. Besides canteen and medical facilities including maintenance of free beds in two Calcutta hospitals, support was continued to the Indoxco Clubs at the Company's various units, Holiday Home Association, festivals celebrated at the Company's works and observance of Annual Day at the units. The presence of members of employees' families at functions organised by Indoxco Club is welcomed and adds meaning to the togetherness of the IOL family. The Company also continued with its schemes to award merit scholarships to employees' children and to subsidise welding training of employees' sons.

The Company's training activities, both internal and external, continued satisfactorily; at the same time the scope of these activities was reviewed. As a result, for the first time a comprehensive scheme for the training of supervisory staff was prepared and a beginning was made with its implementation.

The satisfactory results of the year have been made possible by the sustained efforts of our management staff and workers. Looking ahead, while the management staff will be faced with continuing challenges in the satisfactory conduct and development of our operations, increased cooperation to permit higher production will be required of the workers if the Company is to continue achieving improved results. While expressing my thanks to employees for their valuable contributions during the year under review, it is my belief that they will not be found wanting in future.

PROSPECTS

It is hoped that a reversal of the recent slowing trend of industrial production will soon materialise. If this hope is fulfilled and the conditions necessary to stimulate industrial investment can be created, the Company's performance should continue to be satisfactory.

The growth potential of our major existing businesses will remain considerable for a long time. New areas for use of our products are arising all the time and in many cases offer the chance to achieve valuable efficiencies in our customers' operations. Even though for policy reasons we are denied our due share in this growth, we are well placed to introduce the technological advances necessary for the continued progress of the industries in which we are involved because of our large store of know-how, experience and close links with world leaders in these fields. It is to be hoped that the Government may soon recognise that there is an essential difference between technologies involved in routine uses of the products of our existing businesses and those required for more specialised uses thereof and moreover that, in this latter field the Company will be given an opportunity to play a pioneering role.

I have already referred above to our major diversification project. I should like to assure shareholders however that urgent consideration is being given to other projects which the Company might profitably undertake within its financial, technical and other resources. We hope that once a satisfactory understanding is reached with the Government about the level of foreign equity participation in the Company, we shall be allowed to further develop the range and scale of our activities in the widest national interest.

CALCUTTA 2 December 1977

Indian Oxygen Limited

THE INDIAN SMELTING & REFINING COMPANY LTD.

(FERROUS FOUNDRY)

1ST POKHARAN ROAD, PANCHPAKHADI
THANA - 400 606
(MAHARASHTRA)

Leading Manufacturers of

Malleable Iron Castings for Automotive and Electrical Transmission and S.C. Iron Axle Box Bearings, Crankshafts etc. upto 1 Ton.

Wholesale prices

HE OFFICIAL wholesale price dex of 'All Commodities' ood at 183.9 (provisional) uring the week ended ecember 31, 1977, as against 34.2 (provisional) for the revious week. At this level, e index was lower by 0.2 per ent when compared to that of week ago.

The group-wise analysis of rice movements is given below:

The index for 'Food Arti- les' stood at 173.1 as against s earlier week's level of 173.0. tems which showed variations uring the week were: arhar nd moong (+4%), ragi and sh (+3% each), eggs (+2%), arley, maize, gram, urad and etelnuts (+1% each), bajra —3%), spices & condiments —2%) and coffee (—1%).

The index for 'Non-food Articles' showed a rise of 0.1 er cent to 171.9 as against 71.7 for the last week due to an increase in prices of raw skins (+5%), copra (+3%) raw cotton and mohua seed (+2% each) and groundnuts and castorseed (+1% each). However, prices of raw and wool and rape & mustard (—5% each), linseed (—3%) and gingelly seed (—2%) declined.

The index for 'Minerals' remained unchanged at its earlier week's level of 473.4.

The index for 'Fuel, Power, Light and Lubricants', group stood stationary at its previous week's level of 232.4.

Among manufactured products, the index for 'Food Products' recorded a fall of 1.6 per cent to 175.8 as against 178.6 for the previous week due to decrease in prices of khandsari and oilcakes (—4% each), gur (—3%) and sugar and mohua oil (—1% each). However, prices of salt (+5%), coconut oil (+3%); solve extracted groundnut oil and rice bran oil (+1% each) moved up.

The index for 'Beverages, Tobacco & Tobacco Products' stood stationary at its earlier week's level of 170.5.

The index for 'Textiles' group drifted lower by 0.1 per cent to 175.3 as against 175.4 for the previous week due to a fall in prices of jute manufactures (—2%), although the prices of coir yarn (+2%) moved up.

The index for 'Paper & Paper Products' remained unchanged at its earlier week's level of 185.4.

The index for 'Leather & Leather Products' stood stationary at its earlier weeks level of 229.8.

The index for 'Rubber & Rubber Products' stood firm at its previous week's level of 156.7.

The index for 'Chemicals & Chemical Products' stood at 172.3 as against 171.9 for the previous week. Items which showed variations during the week were; polyester fibre (+5%), linseed oil (—5%) and castor oil (—2%).

The index for 'Non-Metallic Mineral Products' remained unchanged at its previous week's level of 194,9.

The index for 'Basic Metals, Alloys & Metal Products' stood stationary at its previous week's level of 194.5.

The index for 'Machinery & Transport Equipment' group advanced by 0.3 per cent to 172.5 as against 171.9 for the earlier week due to an increase in prices of trucks (+4%) and rims (+2%). However, prices of electric fans (—4%) declined.

The index for 'Miscellaneous Products' stood stationary at its previous week's level of 176.7.

Index Numbers of Wholesale Prices by Major Groups, Groups & Sub-Groups (Revised Series)

(Base 1970-71 = 100)

—	Wt. in relation to all-commodities	Week Ending				
		31.12.77	24.12.77 (Provisional)	3.12.77	5.11.77	1.1.77 (Final)
1	2	3	4	5	6	7
ll Commodities	(1000.00)	**183.9**	**184.2**	**184.7**	184.3	**177.3**
rimary Articles	416.67	**181.8**	**181.6**	**181.8**	180.6	**169.4**
ood Articles	297.99	**173.1**	**173.0**	**172.3**	172.3	**153.0**
oodgrains (i+ii)	129.22	176.3	175.7	176.3	171.7	156.1
(i) Cereals	107.43	162.2	162.3	161.8	160.0	156.5
(ii) Pulses	21.79	246.1	241.4	243.8	229.5	152.9
Fruits and vegetables	61.32	166.2	167.1	171.3	173.9	132.9
Milk and milk products	61.50	155.4	155.4	154.2	157.1	149.1
Eggs, fish and meat	18.97	209.7	207.2	203.4	203.1	185.9

-*Contd.*

LIONS DO NOT COMPROMISE!
NOR DO WE

USE

"THREE LIONS"
BRAND

SODA ASH &

CAUSTIC SODA

SODA BICARB

AMMONIUM BICARBONATE

Saurashtra Chemicals
PORBANDAR

Index Numbers of Wholesale Prices—*Contd.*

1	2	3	4	5	6	7
Condiments and spices	10.94	210.0	213.6	211.1	198.0	153.7
Other food articles	16.04	170.8	172.8	156.4	175.4	181.3
Non-food Articles	106.21	**171.9**	**171.7**	**174.3**	**168.6**	**180.2**
Fibres	31.73	180.0	177.7	177.4	172.7	193.8
Oilseeds	42.01	177.9	179.5	188.7	173.0	173.8
Other non-food articles	32.47	156.2	157.7	159.2	159.0	175.1
Minerals	12.47	**473.4**	**473.4**	**473.4**	**480.6**	**468.8**
Metallic minerals	2.29	192.2	192.2	192.2	192.2	171.1
Other minerals	4.16	186.9	186.9	186.9	186.8	181.3
Petroleum crude and natural gas	6.02	778.9	778.9	778.9	793.9	778.9
Fuel, Power Light & Lubricants	84.59	**232.4**	**232.4**	**232.4**	**234.1**	**232.1**
Coal mining	11.47	197.3	197.3	197.3	197.3	197.7
Mineral oils	49.12	267.6	267.6	267.6	267.6	267-6
Electricity	24.00	177.2	177.2	177.2	183.2	175.8
Manufactured Products	198.74	**177.5**	**178.1**	**179.0**	**179.0**	**174.6**
Food Products	133.22	**175.8**	**178.6**	**183.5**	**184.8**	**182.8**
Dairy products (Processed milk incl. tinned milk)	3.88	191.6	191.6	191.6	191.6	180.9
Canned and preserved fruits and vegetables	0.39	156.2	156.2	156.2	156.2	155.5
Canned and preserved fish and sea-food	0.36	205.0	205.0	205.0	205.0	229.2
Grain mill products	4.64	163.5	163.5	163.5	170.0	156.9
Bakery products	1.85	158.8	158.8	158.8	158.8	159.8
Sugar, khandsari and gur	72.41	172.3	176.7	185.4	191.6	192.1
Sugar, confectionary, cocoa and chocolate	0.53	149.1	149.1	149.1	149.1	160.2
Miscellaneous food products (a+b+c)	49.16	181.7	183.0	183.4	176.9	172.5
(a) Edible oils	37.16	171.3	171.0	172.6	169.1	163.6
(b) Oilcakes	9.05	224.2	233.1	228.5	207.8	212.3
(c) Other miscellaneous food products	2.95	182.0	181.0	180.3	180.3	163.7
Beverage Tobacco and Tobacco Products	27.08	**170.5**	**170.5**	**170.5**	**170.5**	**166.0**
Wine industry	6.77	136.3	136.3	136.3	136.3	132.2
Soft drinks	0.82	224.9	224.9	224.9	224.9	224.9
Tobacco manufactured	19.49	180.1	180.1	180.1	180.1	175.3
Textiles	110.26	**175.3**	**175.4**	**173.7**	**172.0**	**160.4**
Cotton textile	81.02	178.0	177.9	176.6	175.9	164.3
Woollen yarn and textiles	2.44	214.9	214.9	214.9	214.9	211.2
Silk, art silk and synthetic fibre textiles	12.83	162.8	162.8	162.8	162.5	153.6
Jute, hemp and mesta textiles	12.14	157.9	160.5	154.0	143.2	126.3

Contd.

Index Numbers of Wholesale Prices—*Contd.*

1	2	3	4	5	6	7
Textiles products n.e.c.	1.83	204.3	201.3	201.3	201.3	191
Paper and Paper Products	8.51	**185.4**	**185.4**	**185.4**	**185.8**	**179**
Leather and Leather Products	3.85	**229.8**	**229.8**	**228.8**	**224.8**	**232.**
Tanned and cured finished leather	2.95	241.3	241.3	240.0	234.6	241.
Footwear and other leather products	0.90	192.2	192.2	192.2	192.2	203.
Rubber and Rubber Products	12.07	**156.7**	**156.7**	**157.5**	**156.7**	**156.**
Tyres and tubes	9.84	153.4	153.4	154.4	153.4	153.
Other rubber products	2.23	171.3	171.3	171.3	171.3	167.
Chemicals and Chemical Products	55.48	**172.3**	**171.9**	**172.1**	**172.4**	**172.**
Basic industrial chemicals	7.26	191.3	191.3	191.2	191.2	189.
Fertilisers	12.52	176.2	176.2	176.2	175.9	185.
Insecticides	1.16	231.1	231.1	234.5	229.9	232.
Paints and varnishes	1.92	203.8	203.8	204.7	204.2	205.
Drugs and medicines	9.83	137.6	135.0	135.0	137.6	134.
Cosmetics, soaps and detergents	5.86	171.5	171.4	171.7	171.7	168.
Inedible oils	1.54	186.3	193.3	199.1	199.5	173.
Synthetics resins/resins and plastic materials	8.30	162.5	161.1	161.0	161.0	165.
Dyestuffs and other chemicals n.e.c.	7.09	185.3	185.3	185.3	185.3	178.
Non-metallic Mineral Products	14.15	**194.9**	**194.9**	**193.8**	**193.8**	**189.**
Structural clay products	1.82	206.8	206.8	206.8	206.8	210.
Glass and glass products	1.98	217.3	217.3	209.5	209.6	189.3
Earthernware and earthern pottery	0.96	255.4	255.4	255.4	255.4	253.3
Cement, lime and plaster	7.07	174.2	174.2	174.2	174.2	173.3
Miscellaneous non-metallic mineral products	2.32	204.6	204.6	204.6	204.6	195.3
Basic Metals, Alloys and Metal Products	59.74	**194.5**	**194.5**	**194.3**	**193.9**	**190.3**
Basic metals and alloys	46.51	194.1	194.1	193.9	193.3	192.5
Iron steel and ferroalloys	34.73	188.2	188.2	188.2	188.2	187.0
Non-ferrous metal and their alloys	11.78	211.2	211.2	210.4	208.2	208.4
Metal products	13.23	195.8	195.8	195.8	195.8	182.6
Machinery and Transport Equipment	67.18	**172.5**	**171.9**	**171.6**	**172.1**	**169.9**
Machinery and machine tools	50.45	171.6	171.7	171.7	171.7	170.6
Non-electrical machinery	30.91	175.9	175.9	175.9	175.9	175.5
Electrical machinery	19.54	164.8	165.0	165.0	164.9	162.9
Transport equipment	16.73	175.3	172.6	171.4	173.3	167.9
Motor vehicles and parts	13.73	181.5	178.2	176.7	179.0	173.2
Motor cycles, scooter, bicycle parts	3.00	146.9	146.8	147.1	147.1	143.5
Miscellaneous Products	7.20	**176.7**	**176.7**	**176.7**	**182.0**	**167.0**
Wood products	1.74	176.8	176.8	176.8	176.8	160.2
Other manufacturing industries n.e.c.	5.46	176.7	176.7	176.7	183.7	169.0

Source : Office of the Economic Adviser (Department of Industrial Development)

New Delhi, January 12, 1978/Pausa 22, 1199.

Reserve Bank of India

(Rupees crores)

Week ended	1976	1977		Variations over		
	Dec. 24	Dec. 16	Dec. 23	Week	Month	Year
otes in Circulation	7,232	8,450	8,351	—99	21	1,119
Notes issued	7,266	8,457	8,358	—99	20	1,092
Notes held in banking deptt.	34	6	7	1	—1	—27
eposits						
Central & State Governments	98	68	85	17	17	—13
Scheduled Commercial Banks	898	1,404	1,474	70	—167	576
Scheduled State Co-op. Banks	23	27	26	—1	—	3
Other Banks	3	4	4	—	1	1
Others	1,923	1,845	1,856	11	1	—67
ther liabilities	2,036	2,513	2,442	—71	89	406
otal liabilities/assets	12,212	14,312	14,237	—75	—39	2,025
oreign exchange assets[1]	2,302	3,566	3,550	—16	56	1,248
old coin and bullion	183	188	193	5	5	10
upee securities[2]	6,239	6,722	6,502	—220	—185	263
oans and Advances						
Central & State Governments	205	312	329	17	—172	124
Scheduled Commercial Banks	982	258	348	90	10	—634
State Co-op. Banks	450	580	588	8	31	138
Others	620	755	758	3	20	138
ills Purchased and Discounted						
Commercial	158	143	144	1	16	—14
Treasury	164	346	364	18	136	200
Investments[3]	36	493	508	15	41	472
Other assets	873	950	954	4	3	81

ote : 1. Foreign securities plus balances held abroad.
2. Government of India rupee securities including ad-hoc treasury bills.
3. Include investments in Foreign shares/Bonds but exclude investments in rupee securities.

Scheduled Banks—Business in India

(Rupees crores)

Week ended	All Scheduled Banks			Scheduled Commercial Banks		
	1976	1977		1976	1977	
	Dec. 24	Dec. 16	Dec. 23	Dec. 24	Dec. 16	Dec. 23
ggregate Deposits	17,555	21,098	21,193	16,955	20,400	20,490
Demand	6,748	8,009	8,044	6,629	7,871	7,901
Time	10,808	13,089	13,149	10,329	12,528	12,589
orrowings from Reserve Bank	1,428	831	926	982	258	348
ash and Balances with Reserve Bank	1,253	1,895	1,967	1,228	1,865	1,939
Cash	333	464	467	330	461	464
Balances	920	1,431	1,500	898	1,404	1,474
nvestments	5,590	6,999	7,005	5,405	6,788	6,794
Government securities	3,900	5,013	5,009	3,794	4,895	4,891
Other approved securities	1,690	1,986	1,996	1,611	1,892	1,903
ank Credit	13,730	15,349	15;399	12,744	14,119	14,166
Loans, cash-credits & overdrafts	11,944	13,510	13,570	10,957	12,280	12,337
Inland bills—purchased	617	731	720	617	731	720
discounted	619	517	522	619	516	521
Foreign bills—purchased	315	367	367	315	367	367
discounted	235	225	220	235	225	220
ash-deposit ratio	7.14	8.98	9.28	7.24	9.14	9.46
nvestment-deposit ratio	31.84	33.17	30.05	31.88	33.27	33.16
redit-deposit ratio	78.21	72.75	72.66	75.16	69.21	69.14

Source : Reserve Bank of India.

Consumer Price Index Numbers for Industrial Workers

(Base 1960 = 100)

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977						
										April	May	June	July	Aug.	Sept.	Oct
All-India	—	177	186	192	207	250	317	313	301	313	318	320	325	327	331	33
Ahmedabad	130	169	176	181	198	245	305	293	281	294	299	304	308	311	317	31
Alwaye	145	197	198	202	215	267	346	358	321	314	317	319	321	318	321	32
Asansol	140	178	189	194	206	245	316	317	318	330	334	331	339	346	350	34
Bangalore	144	183	186	194	212	265	318	332	321	342	347	345	347	346	346	34
Bhavnagar	132	178	186	194	217	273	327	315	297	310	314	318	216	323	331	32
Bombay	130	175	182	190	203	233	289	300	298	209	314	316	321	319	321	32
Calcutta	131	172	182	187	197	228	288	287	297	306	313	314	326	331	338	33
Coimbatore	132	154	163	177	189	218	209	319	304	309	314	315	318	319	319	32
Delhi	136	185	199	211	222	265	337	333	332	346	346	353	359	362	366	36
Digboi	138	180	189	188	198	234	310	317	310	322	325	327	337	341	346	34
Gwalior	139	184	191	197	214	271	348	324	318	328	331	333	343	348	353	35
Howrah	137	176	186	191	206	239	298	290	292	302	307	308	315	321	328	32
Hyderabad	140	185	189	195	211	251	304	316	308	319	324	328	336	338	340	34
Jamshedpur	136	170	183	187	202	249	313	293	288	306	313	315	318	324	322	32
Madras	134	160	170	182	203	229	301	314	288	299	300	300	304	302	306	31
Madurai	128	152	183	192	206	236	334	333	302	313	321	322	329	327	327	33
Monghyr	151	188	205	204	225	292	263	325	317	340	343	342	355	363	366	35
Mundakayam	138	191	197	199	210	263	337	346	304	384	293	295	298	299	303	30
Nagpur	138	176	187	192	203	256	214	326	297	302	305	309	314	319	320	32
Saharanpur	141	181	186	198	213	253	338	313	304	324	324	327	333	333	339	34
Sholapur	128	176	185	191	216	277	325	342	308	312	320	325	330	323	325	32

Source: Labour Bureau, Government of India.

Consumer Price Index Numbers for Urban Non-manual Employees

(Base 1960 = 100)

	1965-66	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977					
										April	May	June	July	Aug.	Sep
All-India	132	167	174	180	192	221	270	277	277	286	289	291	295	297	29
Bombay	132	162	168	172	183	204	241	246	255	263	267	268	268	269	27
Delhi-New Delhi	131	168	174	180	190	217	262	273	274	282	283	283	290	294	29
Calcutta	126	162	170	174	180	204	238	243	251	257	259	261	265	267	27
Madras	133	161	175	188	204	231	291	306	294	302	303	304	304	304	30
Hyderabad-Secunderabad	133	167	174	180	195	223	270	283	282	292	295	299	304	304	30
Bangalore	133	164	172	180	194	228	272	284	286	302	305	304	304	305	30
Lucknow	132	171	166	174	185	215	255	270	274	287	289	291	297	300	30
Ahmedabad	131	168	171	173	188	222	271	272	263	275	281	286	293	292	29
Jaipur	133	176	183	188	205	244	308	311	312	320	322	325	332	337	34
Patna	139	180	191	190	199	229	286	284	282	288	291	293	296	302	30
Srinagar	134	174	184	191	200	215	262	280	300	312	314	315	318	317	32
Trivandrum	131	172	178	184	198	231	280	297	301	304	306	306	306	306	30
Cuttack-Bhubaneswar	142	169	176	184	196	221	266	270	272	280	282	284	287	291	29
Bhopal	133	172	180	188	204	238	295	296	295	304	311	316	324	324	32
Chandigarh	129	171	178	183	194	217	265	278	284	291	292	293	297	301	30
Shillong	123	164	166	175	183	208	257	274	268	277	271	274	285	286	29

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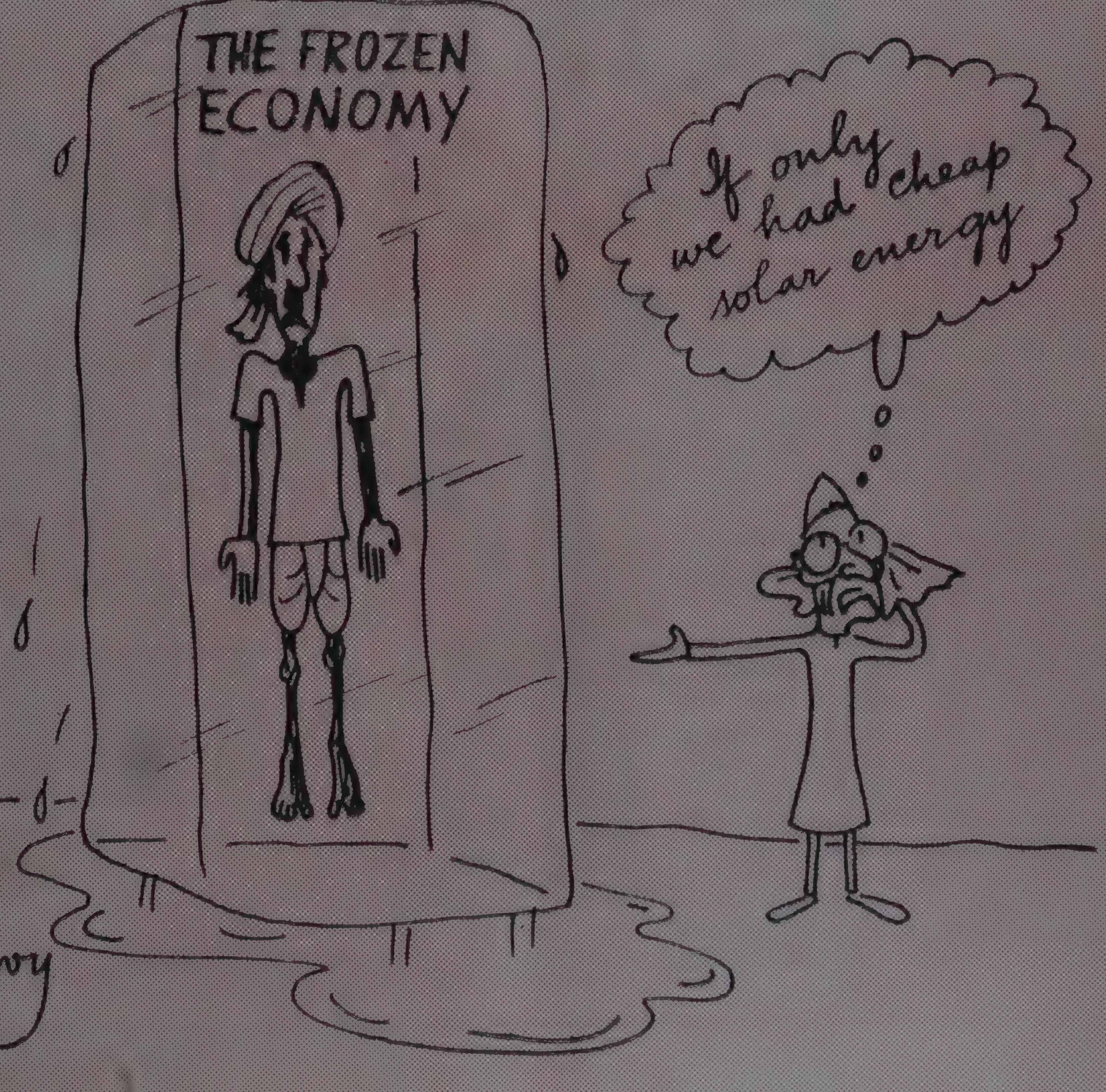
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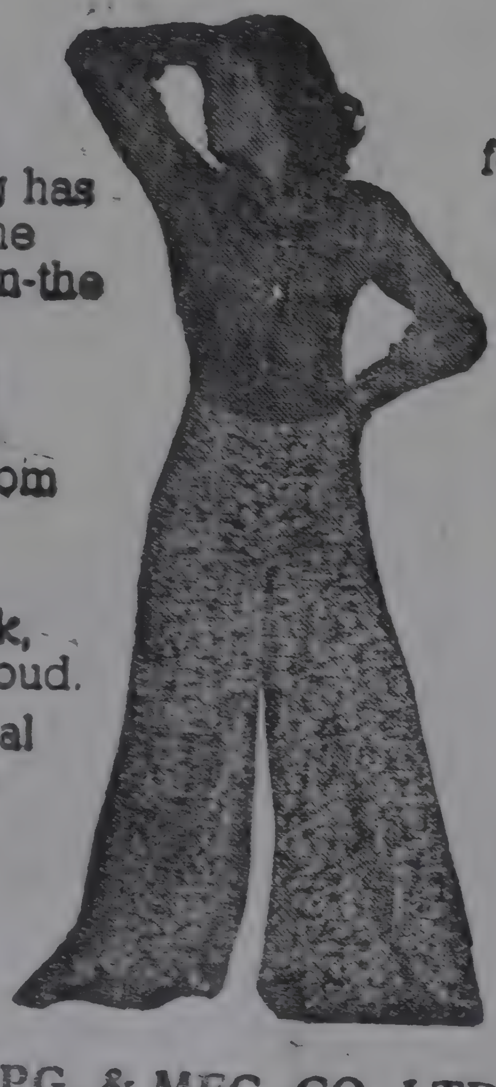

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OL. 70 NO. 4 JAN. 27, 1978
Price Rs 2.50

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Policy without much purpose

IN AN article in a recent issue of *Sunday*, Mr George Fernandes has made for the industrial policy statement certain claims which may be examined in some detail. While trying to explain how precisely "our policy is different from the one pursued by the previous government", the minister has said that "the new industrial policy has shifted the emphasis from the large to the small-scale, from the urban to the rural and from the mechanised to the cottage and handicrafts". Perhaps "is trying to shift" may be a more accurate expression than "has shifted". Quite often a policy looks more promising on paper than in the field and it remains to be seen how far the turn or twist which has been given to industrial policy by the present government helps to take the industrialisation of the country closer to the capacities and needs of its people.

Small-scale industry, of course, has not been discovered by Mr Fernandes and his colleagues in the government, or invented by them. The development of this sector has in fact been an integral part of the planning process and there has certainly been an effort to promote small-scale industries through a package programme of facilities and incentives. The ministry of Industry's annual report for 1976-77 states that a census of small-scale industries has shown that they have emerged as an economically viable sector with a very high employment potential. The 139,577 units covered under this census reported a total employment of more than 1.6 million, a total investment in fixed assets of Rs 1,055 crores and a total gross output of Rs 2,603 crores, of which Rs 841 crores or 32 per cent represented the value added by manufacture. On the basis of the projections computed after analysis of the census data, it was expected that the production in the small-scale sector would be picking up considerably, reaching a value of Rs 7,000 crores in 1976-77 as against Rs 5,700 crores for the previous year, yielding a growth of 18 per cent. The census revealed that 35 per cent of the units were found to be located in backward areas and 15 per cent in Rural Industries Projects areas. Nearly 750 products out of a total of 2,400 tabulated during the census were being exported by small-scale units and the export earnings from small-scale products have gone up from about Rs 306 crores for 1972-73 to nearly Rs 541 crores in 1974-75.

These figures are not being relied upon here to argue that there has been optimal progress in the small scale sector. But it is clearly no more than the truth that, over the years, the small-scale sector has received considerable attention and has repaid it by achieving substantial expansion. Moreover, a good part of the growth of the small-scale units has been through the development of ancillary industries which impart broad-based support and strength to the nation's industrial sector. The number of ancillary units has increased from 7,000 in 1970-71 to 26,115 in 1975-76 and the value of stores supplied by them has simultaneously gone up from Rs 33 crores, of which Rs 25 crores were on account of supplies to private sector, to Rs 71 crores of which Rs 36 crores represented the value of supplies to the undertakings in the public sector. The present government will therefore do well to bear in mind that it is only taking over a pioneering work which has already covered good ground and that it has thereby assumed a great responsibility for consolidating and continuing this advance.

If Janata policy chooses to emphasise small-scale units in industry, it could surely do so without putting up any elaborate defence. Mr Fernandes, however, seems to think otherwise. He has entered the strange plea that production should be shifted from the large-scale to the small-scale to avoid aggravating the excessive urbanisation which has already bred overcrowding and slums in the cities, with all their attendant social evils. But he himself grants immediately that the dispersal of large-scale units from the urban areas to less crowded regions could be done simply by denying industrialists licences to set up more industries in the cities.

Since the government has decided to adopt precisely this course, Mr Fernandes' attempt to discuss the problem of excessive urbanisation in terms of the respective merits of large-scale and small-scale units has no meaning. In fact the proliferation of household and small-scale units in cities, particularly in the residential areas, has contributed much to the deterioration in the living conditions in cities and big towns which Mr Fernandes rightly deplores.

Incidentally, how is it that the minister is unable to resist the temptation to descend to the ridiculous? He seriously contends that large-scale industry, if left to itself, will stick to urban areas because it is only there “you have the night clubs, the strip tease, that you have all that is called fun and frolic, which I suppose, keeps the industrialists relieved of all their problems after sunset.” Surely, industrialists need not forego the night clubs or the other attractions which the minister rolls over his tongue with such relish simply because some of their industries are located in places far away from the city lights. Mr Fernandes after all cannot pretend to believe that industrialists live or must live where their factories are.

chip on the shoulder

It is probably true that very few of us do not carry a chip on our shoulders, but Mr Fernandes seems to enjoy being overloaded in this manner. He allows himself the magisterial—and totally unnecessary—declaration that the government will proceed with the dispersal of industries and that “whether industrialists like it or not is not important to us.” Politicians who have made it are generally vain and conceited and those politicians who have made it only recently are often particularly arrogant.

Mr Fernandes is proud of what he describes as “a major shift in the whole approach” and boasts that, by a stroke of his pen, he has increased the number of industries reserved for the small-scale sector from about 180 to 500-plus. But there are others in his own party, who seem to be willing to play this numbers game even more rashly. Mr V. K. Malhotra, the MP from the South Delhi constituency, for instance, has said that he is not greatly impressed by Mr Fernandes' great leap and that, if he has his way, four times the increased number of items would be reserved for development in the cottage and small-scale sector. This ought to make Mr Fernandes wonder whether he himself has not been too reckless. Reservation is in any circumstances an extreme form of protection which may impose on the community unduly severe burdens, both visible and invisible. As an incentive to any favoured line of economic activity, it should therefore be resorted to only with the greatest care and circumspection. The previous government had therefore acted in an intelligent and responsible fashion when it chose to add to the “reserved list” steadily but gradually. Even so there were often undesirable distortions in the development of industry.

supportive strategy

It is self-evident that a policy of reservation could do the gravest injury to the economy if it is at least not tempered by being integrated with promotional measures for raising the productivity and strengthening the economy of the small-scale sector. This supportive strategy has in fact to be phased in such a manner that it is slightly ahead of the protective tactics. The industrial policy statement provides for a programme of District Industries Centres which are intended to provide all the services and support required by small and village entrepreneurs. It indicates a broad-based scheme of effective financial support to cottage and small industries. The Khadi and Village Industries Commission, it is stated, is being reorganised and invigorated. The development and application of technology and small simple machines and devices for improving productivity and earning capacity of workers of small and village industries also finds mention. But these are all promises for the future and the implementation of these programmes will certainly take time. There is therefore the risk of a dangerous gap being created between the responsibilities immediately placed on the small-scale sector and the prospective development of its capacity to discharge them. In this sense, the excessive reservation which has been written into the industrial policy sta
ment smacks of placing the cart bef
the horse.

While discussing the competition b
ween large-scale and small-scale uni
Mr Fernandes refers to the danger to t
small fishermen from trawlers. He h
no objection to trawler operations bei
confined to the export market but he
against trawlers bringing fish for t
domestic market. In other words,
admits that there are areas where sm
scale units are virtually at a permane
disadvantage vis-a-vis large-scale ope
tions where price competition is involve
Nevertheless, Mr Fernandes wants th
the domestic market should be reserv
for small fishermen which means th
only the foreign consumers are to
benefited by advances in mechanis
deep-sea fishing, while domestic co
sumers are to be deprived of the bene
of lower prices for a food article of ma
consumption which could be a rich sour
of protein for the lower income grou
Surely, there must be other, less obje
tionable methods of safeguarding the re
sonable interests of small fishermen.
any case the calculus of welfare whic
Mr Fernandes favours is at least open
debate.

reasonable interpretation

The minister discounts the fear amo
“a lot of people” who “get up and sa
that we are going to hurt big industr
and there will be no expansion there
Can Mr Fernandes honestly argue th
these fears are not warranted? A reaso
able interpretation of the paragraph r
lating to the public sector in the indu
trial policy statement would be that n
further nationalization of industries no
existing in the private sector is contempla
ed. Although the government has made n
specific commitment to this effect, this
the impression that this para convey
However, there is already a debate withi
the government over the future of th
pharmaceutical industry, thanks to th
insistence in some quarters that the large
firms—particularly the multinationals-
should be taken over or at least severel
restricted in their operations. This de
mand has been raised although it runs ag
inst the assurance given in the industri

icy statement that existing foreign mpanies will not be discriminated aga- t, once they have complied with the ovisions of the Foreign Exchange gulation Act. The issue has become rious enough for a committee of minis- s being set up to make recommenda- ns. Whatever the final outcome may , it is already clear that a restrictive proach will be adopted towards large- ale units in the pharmaceutical in- stry.

The ground is being prepared for this the government delaying decisions on pansion or diversification schemes, troduction of new drugs into the arket, price fixations or price revisions d other such matters affecting the rther growth of the industry. Simul- neously much unwarranted prejudice is eing created against pharmaceutical anufacturers, particularly the larger nits. Even the prime minister has not esitated to endorse the canard that odern medicines and drugs have brought o benefit to common man. It is true at, because of mass poverty and mass nemployment, our people as a whole e ill-fed, ill-clothed, ill-housed and ill- erved in many of their other basic needs ncluding medical care. But this is not rimarily a problem for the pharmaceuti- al industry and so far as modern medi- ine is concerned, the control of epide- nics and contagious diseases, the decline n infant mortality and the rise in the verage expectancy of life bear testimony o the fact that there has been consider- ble penetration by modern drugs and edicines of large areas of public health.

badly timed campaign

If more needs to be achieved in this lirection and the government wants to ssist, nothing could have been more adly timed than the current ill-advised campaign against the pharmaceutical ndustry and the fact that such an agita- tional approach has at all been adopted owards a major industry is bound to rouse exactly the kind of apprehensions to which Mr Fernandes has referred.

Finally it is strange that his defence of the industrial policy statement has omitted to answer the charge that it contains no positive decisions or proposals for dealing with the stagnation of several large-scale industries and the general slackening of the growth of this sector. The statement, in the prevailing conditions, should surely have said things relevant to this situation. That it has not done so means that a lop-sided, sectoral approach has overridden consideration for the all-round development of the economy. The industrial policy statement therefore amounts to a failure in economic statesmanship.

Ideological overtones in West Bengal's polity

The industrial policy statement of the government of West Bengal is in keeping with the political ideology of the Marxists and the other parties that constitute the United Front government. The statement reiterates the government's well-known objectives to reverse the trend towards industrial stagnation, to arrest the growth of unemployment, to encourage the development of small and cottage industries, and to lessen the "stranglehold" of the monopoly houses and the multinational firms on the economy of the state. The other aims are to promote industrial technology and self-reliance, to expand the public sector gradually, and to ensure greater control by workers over the industrial sector.

curbing initiative

But the statement seems to show more anxiety on the part of the government to curb the activities of the multinationals and the large houses than to impart a strong and sustained stimulus to the growth of new industries, develop the backward areas, and improve the viability of the existing units.

The statement says that since independence, the multinational companies and big houses have utilised the profits realised from West Bengal's industries "either for supporting the lavish style of living of the owners and top executives or for setting up industries elsewhere, or for remitting funds abroad." It has ignored the part played by the big houses and the multinationals in pioneering a large number of industries in West Bengal and in creating vast opportunities for employment and also their potential for reviving the state's sick economy and setting up new industries with growth prospects. However, the statement grudgingly admits that, in the immediate future, it will not be possible to dispense with the large houses and multinationals which have been operating in West Bengal.

advisory council

The statement says that "as long as the laws of the land are not contravened, the state government may allow the existing multinational corporations and big industrial houses to plough-back their profit but only along the lines previously agreed to and whetted by the Industrial Advisory Council". This council is to be set up soon with the representatives of the government, large-scale manufacturers, middle level management, small industrialists, trade unions and technological and financial experts. But is such a large and unwieldy body competent to suggest as to how exactly the big houses and the multinationals should reinvest their profits ? Will not this procedure effectively deter these companies from investing in West Bengal and seek outlets in other states where the industrial climate is more congenial ?

The statement has said that "one major reason for the industrial set-back in West Bengal in the more recent period is the policy pursued by the national financial institutions". It is true that the loans sanctioned by these institutions to West Bengal have been much less than those given to Maharashtra, Gujarat and some other states. But what can these institutions do if they do not receive more applications from West Bengal for viable projects ? The statement has observed that the central government must ensure that the banks and the other public financial agencies "should not import their own subjective bias in deciding upon the quota of institutional funds for this state or in deciding which sector of group is to be offered particular encouragement". The implications of this suggestion are not clear. What the state government wants perhaps is that there should be close liaision between itself and the financial institutions. This is, of course, a reasonable request. But the state government should also ensure that the schemes and projects sponsored and supported by it are viable and do not go counter to the national policies and priorities laid down by the government of India.

public sector performance

The industrial policy statement has expressed disappointment with the poor performance of the public sector undertakings in West Bengal. It has revealed that their accumulated losses are of the order of Rs 150 crores and has observed that, given their present structure, they would be unable to fulfil their role, "whether doctrinaire or pragmatic". It has suggested that the left government must "critically review the performance of these undertakings, rationalise and restructure them where necessary and put them under professional management". This is a laudable objective but its implementation is not going to be smooth because of the acute shortage of competent and experienced managerial personnel and the difficulty in getting the wholehearted cooperation of the trade unions in restructuring these undertakings.

As regards the import of technology, the industrial policy statement has suggested the state government should not be averse to inducting foreign skills and expertise but it has clarified that its preference will be for the induction of technology from the socialist countries, "because these can be depended upon to offer meaningful support to the public sector". But will such a restrictive approach really help West Bengal to import the right kind of technology needed by its industries ? Is it not desirable that all state governments should be guided by the policy of the central government in regard to the sources from which technology is to be imported and the conditions on which it is to be obtained ?

An interesting aspect of the industrial policy statement is the suggestion that "the state government must campaign for additional investible funds for the entire eastern region since, irrespective of all other considerations, industrial development in any eastern state will, by and large, also contribute to the well-being of West Bengal's economy". There is. of course, a strong case for the states of this region to work in close cooperation with one another in developing their economy. But should the government of West Bengal devote its time and divert its attention to the development of the entire eastern region when it has a host of investment problems to solve in its own territory ?

The industrial policy statement urged the government of India to "ac the three-fold principle of (a) the equal tion of prices of all industrial raw mat als throughout the country, (b) the equ sation of freight for these materials for parts of the country, and (c) the st wise distribution of all industrial materials on the basis of actual requ ment". The Left Front committee the state government should study implications of these proposals and pl concrete ideas before the central gove ment. It is not clear how they exp New Delhi to undertake all these respon bilities effectively if its powers are to confined only to a few subjects like fence, currency, foreign affairs and fore trade as suggested by the government West Bengal.

The shape of budget to come

THE OBSERVATIONS of the Finance minister, Mr. H.M. Patel, in recent weeks have given rise to expectations that the revised estimates for 1977-78, when presented to parliament at the end of February, may undergo a significant change because of the large assistance additionally extended to state governments and increases in non-plan expenditure in some directions. It is not clear however why there should be a sizeable increase in the overall deficit even when it has been indicated that there will be a shortfall in plan outlay and the Finance minister's own statement that there is no paucity of funds in the central budget. The trends, in central government deposits, as revealed by the weekly statements of the Reserve Bank and changes in holdings of treasury bills and investments of the central banking institution, also suggest that the ways and means position of the central government up to the end of December was quite comfortable, notwithstanding the large payments made to state governments at regular intervals and the reduction in state overdrafts.

The supplementary demands for the current financial year recently approved by parliament and those that might be placed again during the budget sessi will no doubt result in an increase in e penditure unexpectedly in some direction In view of the assurance given by t centre that the developments of the sta governments will not be allowed to suff due to a big rise in non-plan expenditu and heavy outlays on relief operations the cylone and flood affected areas different parts of the country, it is qui likely that fresh supplementary demand may result in an outgo of Rs 350 crore The demands approved in the last budg session account for a gross total Rs 942.38 crores and a net outgo Rs 688.69 crores after taking into accou the related receipts and recoveries.

The bulk of the payments pertains t state governments as a sum of Rs 25 crores will be made available for bridgin the resource gap, Rs 125 crores for meet ing expenditure in connection with natura calamities and Rs 100 crores as ways an means advances or Rs 475 crores in all There will also be other payments, partl in grants and partly in the form of shor term advances, for a total of Rs 97.0 crores. The additional allocations in res pect of public sector units will absor Rs 145.38 crores. So far as the centre i ncerned the over-run in revenue account ll be only Rs 225.36 crores implying at the anticipated surplus of about 108 crores on adjusted basis will be nverted into a deficit of Rs 117 crores. is probable that there will be a shortfall receipts from excise duties and import vies due to a lowering of excise duties mini tractors, fertilisers, levy and free le sugar and adjustments in import uties. But the budget estimates are kely to be exceeded by Rs 100 crores as e collections on direct taxes have been couraging and evasion in excise duties so is being prevented.

On capital account the receipts are kely to be in excess of the estimates by s 800 crores as a result of record borowing through open market loans, larger eceipt under the small scale savings camaign and bigger net foreign aid. There vill of course be an unexpected outgo of bout Rs 350 crores due to repayments nder the Compulsory Deposit Scheme. The payments to states and public sector ndertakings also may take up Rs 750 rores resulting in a net over-run of Rs 300 crores. There will however be a hortfall in plan outlay in the central ector as well as the state sector though he reduced outlay in the central sector only has to be taken into account for alculation purposes. If it is assumed hat this shortfall will be a minimum of Rs 500 crores there can be even a reducion in deficit in the capital budget, by Rs 200 crores. It is therefore difficult to see how there can be an enlargement of overall deficit with larger capital receipts and smaller plan outlay.

things to do

It has not been satisfactorily explained why plan outlay in the central sector could not be increased even with adequacy of foreign exchange and rupee resources. The implementation of power and irrigation projects, rural electrification schemes, exploration and exploitation of onshore and offshore oil reserves and execution of industrial projects could be attempted vigorously. Even under favourable circumstances the official machinery has been unequal to the task of utilising larger plan allocations. It has been stated that the Janata government has been in effective power only from June and the last budget was only makeshift in character. The states, of course, have their own problems as many new governments were formed after the elections in some states and the budgetary position also has deteriorated due to large concessions granted on the eve of elections.

The question has therefore been asked what will be the shape of the budget for 1978-79 and whether there will be a technical enlargement of the overall deficit of the centre for 1977-78 due to failure to generate the rupee counterpart funds against the loan of Rs 800 crores in foreign exchange taken from the Reserve Bank. In the calculations given above, it has been assumed that the rupee resources against the loan for Rs 800 crores will be available. There has been no indication so far of the use of foreign exchange resources for financing imports as current foreign exchange earnings have paid fully for imports in the first eight months and only in December uneven trends have been noticeable in foreign balances held by the Reserve Bank in Banking Department.

favourable balance

It is however hoped that there will be a marginal favourable balance for the whole of 1977-78 in which case there will be no opportunity for using foreign exchange reserves for bridging an import gap. The repayments against foreign obligations can be easily made out of gross foreign aid. There may be some payments on behalf of shipping companies in respect of defaults in payments towards loans in foreign currencies. But the amount involved cannot be large. It, therefore, remains to be seen how the gap arising in this regard will be adjusted as already there has been a transfer of foreign securities to the Issue Department from the Banking Department of Rs 700 crores for expansion of the currency or adjustments.

It may not be surprising if there are similar transfers to Issue Deparment for expanding currency and making available to the centre the required funds if the need arose. The strategy in this regard has not been spelt out by the Finance ministry so far even though it is abundantly clear that there will be no withdrawal from foreign balances for financing imports. The expansion of currency against foreign securities is not of course different from creation of currency against *adhoc* rupee securities as the immediate effect will be an increase in money supply. The difference of course lies in the fact that there can be a suction of rupees from circulation in the event of foreign balances being used for financing imports or for other purposes in the coming years and a net reduction in foreign exchange reserves can be attempted. The revised estimates for 1977-78 have therefore more than usual significance.

the speculation

There is also speculation about the manner in which the budget estimates for 1978-79 will be formulated. After the difficulties experienced in using foreign balances and the prospect of continuing rise in inward remittances the Finance minister may not take any large credit in foreign exchange through loans from RBI especially as unused net foreign aid has also created similar problems. If net foreign aid is fully absorbed for tactical reasons current foreign exchange earnings get accumulated while rupee resources have been injected into the economy for corresponding amount.

It has also been stated that the recommendations of the Jha committee will be implemented and there will be a rationalisation of import and excise duties. How far this will result in a net reduction in revenues and what attempt will be made to increase receipts in some directions cannot be visualised at this stage. Even so assurance has been held out that the 1978-79 budget will reflect in full the policy of the Janata government and many lingering doubts will be cleared. In the hope that a constructive approach will be adopted and the economy will be given a push in the next financial year and there may even be a mild retreat from dear money, the stock markets have been more active latterly. It will be interesting to find out how the various conudrums will be satisfactorily solved and new bid made to make effective use of swelling foreign balances and ample physical resources in some directions.

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CAPITAL'S CORRIDORS

C. Raghavan

Demonetisation • Janata and CPI(M) • Indo-Pakistan relations • Splitting of Samachar

THE GOVERNMENT's action in demonetising high denomination currency notes, it seems now to be reasonably clear, was motivated by the view that a lot of money with Mrs Indira Gandhi and some of her supporters was in these notes. In this understanding, it had been hoped that through the demonetisation of 1,000, 5,000 and 10,000 rupee notes Mrs Gandhi's power and influence could be undercut. Only time will, however, show whether this assumption was correct and the desired result would be obtained.

Soon after Mrs Gandhi's arrest last year, the Home minister had claimed that a lot of her money was cached in some embassies in New Delhi. Nothing further has since been heard of this 'disclosure' of the Home minister, based on some 'intelligence' information. Whether the current 'intelligence' information, on the basis of which reportedly the demonetisation decision has been taken, is likely to be any more accurate remains to be seen.

guarded secret

The move to demonetise was a closely guarded secret, and it would appear to have involved only the prime minister, the Finance minister and the Law minister. Other ministers were hurriedly summoned on January 16 evening for an urgent cabinet meeting at 6.30 p.m., the prepared draft text of the ordinance was shown and their approval obtained, and the text of the ordinance sent to the president for his signature and promulgation. If some saw in this the same methodology of cabinet consultation and consideration as in the past, it merely shows the difficulties of the processes of consultations and considerations where high-fiduciary decisions needing utmost secrecy before promulgation are involved.

In his press conference to explain the action, the Finance minister, Mr H.M. Patel, made clear that the move was not aimed against black money but to put to a stop "illegal transactions." He, however, declined to spell out or define the illegal transactions. The high denomination notes, he said, were being used "for purposes other than in the interests of national economy in illegal transactions."

small percentage

According to him, while the total currency in circulation (as in May, 1977) was Rs 8,158 crores, the demonetised high denomination notes, he said, accounted for about Rs 139 crores, and a fairly high percentage of even this was with banks. The amounts actually 'in circulation' must be a much smaller percentage than the Rs 139 crores, he said. Mr Patel did not directly admit the political motivation but conceded that political parties (and their monetary transactions) were part of the national economy. The prime minister, Mr Morarji Desai, has been more specific at Bangalore where he has said that one of the aims of demonetisation was to unearth illegal money with political parties, but no single party was the target.

The former Finance minister, Mr C. Subramaniam, on the morrow of the demonetisation had also spoken of its impact on hidden funds with some. However, Mrs Gandhi has denied that she had even one single high denomination note.

Whatever its impact on the political parties, and the elections in the southern states, the government's swift action of fiduciary and fiscal measures on political grounds would appear to have sufficientl unnerved many. This, coupled with th persistent rumours about impendin government steps on the ceiling ove holdings of gold, has created quite som scare, not confined however merely t those with ill-gotten wealth. Some report reaching New Delhi suggest that it i having its impact on the prosperous peasantry in northern and western India.

pouring complaints

The demonetisation ordinance resulted in many complaints pouring into the Finance ministry in New Delhi. These ranged from non-availability of forms, difficulties of encashment in time etc. But officials noted little or none on the ground that news was not received in time. The news of the government's action was broadcast on the night of January 16 in the 9 p.m. bulletien of All India Radio and carried in the newspapers of Jaunary 17. Though the listening and reading audience might not be large (compared to the size and population of the country) news by word of mouth would appear to have spread fairly fast, one official noted.

However, the move has raised some questions about the functioning of the Reserve Bank of India. The currency is issued by the RBI, and virtually centralised in one department in Bombay insofar as high denomination notes are concerned. Yet, it has been noted that on the night of the issue of the ordinance, only figures of currency issued as of mid-1976 were available, and even when the Finance minister held a press conference a day later, he could cite figures of currency only as of May, 1977. Why the RBI has been unable to give more up-to-date figures has not been explained by officials who concede that the figures must be available in Bombay at the headquarters and does not really require to be collected from the various branches.

* *

The National Executive of the Janata party, meeting in Bangalore, has opted for electoral adjustments and understandings with various parties in order to fight the two Congresses in the forthcoming elections in Andhra Pradesh, Assam, Karnataka and Maharashtra. Despite the views to the contrary of several senior leaders, including the prime minister, Mr Desai, and the Home minister, Mr Charan Singh, the party has decided in favour of electoral understanding with the Communist Party of India (Marxist), a factor to be reckoned with at least in Assam and Andhra Pradesh. The attempt of some to prevent dual membership of Janata and the RSS would also appear to have been given up. Both Mr Desai and Mr Charan Singh have been disfavouring any alliance, nnderstanding or adjustment with the CPI(M). They feel that with the 'respectability' given by association with the Janata, the CPI(M) has been able to make inroads in West Bengal and Tripura and might extend its influence in other parts of eastern India. Others in the Janata party, however, feel that without such an understanding, the Janata would be wiped out in the east and south (as had happenned in the assembly polls in West Bengal and Tripura). Both Mr Desai and Mr Charan Singh are reacting strongly against the move for more powers to the states, a move being spearheaded by West Bengal chief minister, Mr Jyoti Basu, and supported by Sheikh Abdullah in Jammu and Kashmir and M.G. Ramachandran in Tamil Nadu.

* *

The Foreign minister, Mr Atal Behari Vajpayee, is now expected to visit Islamabad on February 6 for talks with his Pakistani counterpart. Just prior to the visit, the Shah of Iran would have visited New Delhi and held talks with Mr Morarji Desai. The Pakistani military man, Gen. Zia is to visit New Delhi later, after Mr Vajpayee's visit.

Whether for domestic reasons or as a preliminary to these visits, Pakistani leaders have been raising the Kashmir issue and attempting to resurrect old UN resolutions as a framework for a solution to the Kashmir dispute. During the Callaghan visit to Pakistan, Gen Zia would appear to have raised it and made pointed references to this in his speeches. The British press, since then, has been playing up the Kashmir issue and the Pakistani view that solutions could be reached only in the context of UN resolutions.

Little of any of this is known to the Indian public, presumably because Samachar reportage has filtered out these references, whether on its own or on the advice of the foreign office, it is not clear.

* *

The Samachar split and restoration of status quo ante, promised for January 1, and postponed to February 1, has again been postponed to March 1. The newspaper owners, who so enthusiastically welcomed the government's decision for status quo ante, are unwilling apparently to pay the price and are pressing for larger handouts from the government.

The four erstwhile agencies asked for a sum of nearly one and half crores of rupees as solatium or rehabilitation grant from the government to start the four separate agency services, while the government came up with a total of Rs 25 lakhs. Government has also agreed to underwrite for a period of six years the difference between the wage bill of the agencies and the wage bill of the integrated Samachar and its classification as a class one newspaper establishment. But the owners of the agencies want the government also to underwrite the cost of the interim relief.

The question of AIR and Doord
shan paying increased subscriptions is t
up with willingness of the newspapers
pay enhanced subscriptions. The agen
would like the government to agree to
increased subscriptions for AIR and Do
darshan as recommended by the Kul
Nayar committee, but are unwilling
raise their own payments. Long ago,
1954, the Press Commission recommen
that newspapers pay PTI and the t
UPI, fixed monthly payments plus a roya
per annum per copy of newspaper so
This worked out to nearly 3.5 per cent
the circulation revenue for PTI and h
to UPI. Even on that basis it will w
out now to one paisa per copy of pa
for PTI and half paisa for UNI.

Newspapers are unwilling and one pu
lisher, the foremost in advocating
split, is pressing the government to set
a fund of Rs 10 crores, annual inter
from which should be given to the ag
cies by way of help! But government
not taken note of this. The Informati
and Broadcasting minister has spoken
the two Hindi agencies joining togeth
and there are also reports that governme
is willing to subsidise such a venture
the name of promoting Hindi.

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Welcome break-up of a public giant

S. L. N. Simha

The Janata government's emphasis on the establishment of a decentralised pattern of economy has much merit, says the author. He however advocates due care and foresight in implementing the decision. Even after split up, the new organisations would be fairly large to enjoy economy and efficiency of operations.

THE GOVERNMENT's decision to split up the Fertilizer Corporation of India into five separate companies, including a company for providing engineering and consultancy services, should be welcomed widely. A similar decision, concerning the steel industry was taken by the Congress government a little over a year ago, when the SAIL was split, with a separate company for each of the units like Bhilai and Rourkela. In the absence of any contrary reports, it should be hoped that the arrangement is working well.

Monopolistic and super-giant organisations in the public sector are nearly as harmful as those in the private sector. In fact, one may even take the view that purely from the angle of efficiency of operations, a public sector monopoly is worse. There is no fear of governmental intervention and no great anxiety concerning resources whether the organisation is faring well or ill. A public sector organisation generally lacks flexibility in operations and hence if the organisation has grown very large and, what is quite serious, it is also widely dispersed geographically, the law of diminishing return or diseconomies of scale will begin to operate. Oftentimes, the slowest and the most inefficient unit within the organisation sets the pace.

political influence

The danger of undue political influence in technical and business matters and also of corruption is very real when the organisation is very big. Again, from the point of harmonious labour-management relations, one should welcome the splitting of giant public sector organisations. This wise policy should now be extended to other public sector organisations such as the Life Insurance Corporation of India. More will be said on this, later.

The split up of a major organisation into several separate units will naturally pose a number of problems. The first and probably the most difficult one to handle is that relating to personnel. It would indeed be difficult, so far as the middle and senior level executives are concerned, to ensure that all the units have a full complement of people as well as to satisfy the executives with regard to the postings to the various new corporations. Some resignations and consequently some new recruitment are inevitable. This is part of the game and there need be no undue anxiety about it. It is important to safeguard against the danger of pursuing the policy of sons-of-the-soil, so far as senior personnel are concerned. The postings should be done on the basis of ability and suitability, rather than on considerations of the state from which the officers originally hail and the language they speak.

POINT
OF
VIEW

Except probably as a very temporary measure, government should also avoid the mistake of having the same person as the chairman of these corporations, in the interest of so-called coordination. The ideal thing would be to make the managing directors themselves chairmen of the respective companies. The boards of directors of the new companies should comprise 3-4 whole-time executives and about an equal number of outsiders, comprising both professionals—chartered accountants, cost accountants and management experts—and industrialists.

It is hardly necessary to emphasise the importance of giving long tenures of office to the chief executives of the various corporations. One of the important reasons why public sector units have not done very well is the policy of frequent transfers of top personnel and of appointing to these posts persons who look upon these assignments as a stop-gap arrangement, pending some better posting in the central or state government secretariat. If persons are oppointed for long tenures and given a substantial measure of authority, there is no reason why public sector units should not do even better than the private sector units.

important problem

Apart from the personnel question, there would be other important matters to be decided in connection with the split up of the FCI. According to the author, a very important problem is that of fixing the assets and liabilities of each of the new units. It is known that a number of projects of the FCI have experienced substantial cost overruns. These overruns have occurred on account of a variety of factors, some beyond the control of the corporation and some very much under its control. To an extent, inexperience in the matter of putting up fertilizer projects has been responsible for the delays and cost overruns. It seems to the author that this is the appropriate time to write off a part of these losses which should be borne by the exchequer rather than being passed on to the new units as a millstone round their necks. A committee of experts should be appointed to advise the government on this. This committee could also suggest the appropriate initial debt-equity ratio of the new individual units.

Altogether, the government's decision, as already mentioned, is a wise one There will always be some difficulty in implementing a major change but this should not prove intractable. As a matter of fact, the government should now give serious consideration to what other giant units in the public sector should be split up, Naturally, in this matter progress will have to be gradual. But, a difinite programme of action should be drawn up and implemented.

overgrown corporation

One public sector organisation which has now grown into an unwieldy size and the split up of which will be very beneficial is the Life Insurance Corporation of India. The LIC has done reasonably well in the matter of spreading the insurance habit, but the scope that exists for a massive spread of the life insurance habit, especially in the rural and semi-urban areas, is so vast that it seems to be beyond the competence of a single management to tackle the problem. There is also the problem of investing the resources of the LIC in a manner that contributes to national economic development and the removal of regional economic imbalances. A single agency cannot do this job satisfactorily. Regional committees and boards are not a substitute for independent organisations. It is well to note that, beyond a point, delegation of authority will not work.

The government has done well to have a number of corporations so far as the general insurance is concerned. Apparently, the government had the experience of the LIC in mind. It is time that action was taken to split the LIC into four or five separate corporations. There should be a central organisation to co-ordinate the operations and to handle roughly 50 per cent of the investible funds on a national basis, the remaining funds being utilised for an intensive development of the regions in which the individual corporations will operate.

In the field of commercial banking, happily, we have a fairly varied structure, with large, medium and small banks. Sometime back, there were proposals for the merger of the already large commercial banks into even larger ones. Happily, a new banking commission that had been set up by the Congress government was wound up by the Janata government. This is not enough. What the Janata government ought to do is to put a little restraint on very large ones such as the State Bank of India from growing much larger. The medium and small-sized banks should be given all encouragement and help for expansion.

In this connection, government should give serious thought to another unwieldy organisation that exists in the banking system in the form of the 'State Bank group', comprising the State Bank of India and seven subsidiaries. As at the end of June 1977, the State Bank of India had 4,350 banking offices and the seven subsidiaries together 2,000 branches. It is time that the seven subsidiaries were delinked from the State Bank of India and constituted into independent institutions. Under the present arrangement, the same person, namely the chairman of the State Bank of India, is also the chairman of each of the seven subsidiaries. Even a genius would find it extremely difficult to shoulder the responsibility of being chairman of eight institutions and most of us are not genii! Concentration of so much authority in one son is wrong.

Each of these subsidiaries is large and mature enough to run its affairs. Actually, many of the subsidi were exceptionally well run when had been independent institutions, be being tied to the apron-strings of State Bank of India! This arranger has inhibited the growth of the sub aries and sapped their initiative. subsidiaries have the status of sec class citizens in the banking commu This is a ridiculous arrangmemt should be ended.

The Janata government's emphasis the establishment of a decentralised tern of economy has much merit. of course, this must be implemented care and foresight. There is a lot the government can do to put this pl sophy into practice by restructuring m of the public sector organisations smaller units. It is well to note that after split-up, the new organisat would in general be fairly large to e economy and efficiency of operations.

Eastern Economist 30 Years Ago

JAN. 30, 1948

Relations between the All-India Railwaymen's Federation and the Railway Board have become quite friendly in the new political set-up and issues which would otherwise have caused friction are being settled amicably. Last week's negotiations between the Railway Board and the Federation resulted in an agreement on several questions. Two such outstanding issues were fixation of pay of staff on the pre-1931 scale who elect for the Pay Commission's scales and removal of Pay Commission's uniform scales to staff on varying certain anomalies resulting from the application of the scales in different zones. The grievance relating to the staff on pre-1931 scale was that if they accepted the Pay Commission's scales they would be losers because their existing pay was higher than the Commission's scales. Government no doubt offered a solution by undertaking to maintain their present inc by treating the difference as personal pay w was to be absorbed in their future increme but this solution failed to improve the lot of staff in terms of actual income now or in immediate future. Government, therefore, m liberal concession to this category of pre- employees by fixing their immediate pay at next higher stage in the Pay Commission's sc which would be above their present income also guaranteed to them interim relief future increments uninterrupted in the nor course. How far this liberalisation is goin tax the railway budget is not known, but apparent anomaly of Pay Commission's sc with stoppage of increments in the near future been removed.

Fiscal discipline for states

P. K. Bhargava

While the state governments are in an unfavourable position relative to the centre in raising resources, they have to discharge expensive and expanding social and developmental functions. The state governments have to depend on the central government to a considerable extent for augmenting resources. The author who is reader in Economics, Banaras Hindu University, feels that this dependence induces lethargy in state governments in tapping their own resources.

One of the main problems of federal finance has been that the elastic and productive sources of revenue have been assigned to the centre while the states have to discharge expensive and expanding social and development functions. The states cannot discharge their functions satisfactorily without adequate assistance from the centre. A considerable amount of resources has, therefore, to be transferred from the centre to the states. The total net transfer of resources from the central government to the state governments in 1976-77 (Budget) amounted to Rs 3134 crores which formed slightly more than 34 per cent of the states' direct expenditures (on revenue and capital account) on goods and services, excluding interest payments to the centre.

It may also be emphasized here that the state governments are relatively in an unfavourable position in raising resources as compared to the central government. The direct taxes, such as income-tax and the corporation tax of the central government affect only a minority of the population whereas the direct taxes, such as land revenue and agricultural income tax, levied by the state governments have an impact on the majority of population who can play a vital role under the right of adult franchise.

negligible resistance

Similarly, the indirect taxes, such as the union duties of excise and customs, of the central government are camouflaged with the price of the taxed commodities resulting in relatively very little, almost negligible, resistance from the consumers of such commodities, On the other hand, indirect taxes of the state governments (such as sales tax) are shown separately which invite greater resistance from the consumers of these commodities. In addition, the state governments are in a disadvantageous position as compared to the centre so far as raising of resources through public debt/borrowing programme is concerned. The central government also enjoys a monopoly so far as raising of resources through deficit financing is concerned. Even if these constraints on the part of the states during the process of resource mobilization are taken into account, there is abundant evidence to show that they have not effectively exploited all the sources of revenue available to them. In view of the increasing fiscal requirements of the states, it is not only desirable but essential that the state governments tap all the sources of revenue that are available to them.

deficit state budgets

It is unfortunate that most of the state governments have presented a deficit budget for the year 1977-78—the fourth year of the fifth Plan. This shows a marked deterioration in the states' resources position especially in view of the fact that most of the state governments have not proposed any fresh levies to cover the deficit. The combined deficit for the year is Rs 315 crores; although the total Plan outlay for all the states has been increased by about Rs 910 crores. It may be emphasized here that in the first three years of the fifth Plan, the state governments had taken steps to raise additional resources—in 1974-75 the yield from various steps was estimated at Rs 358 crores, in 1975-76 the additional taxation was of the order of Rs 117 crores, and in 1976-77 the state governments had raised Rs 112 crores. Surprisingly, the state budgets for 1977-78 contemplate to raise only an additional revenue of Rs 40 crores: of this additional tax effort, Rs 29 crores will be raised by Maharashtra, Rs 7.9 crores by Orissa and Rs 3.1 crores by Rajashan.

Most of the state governments with the Congress party in power do not seem to have taken any steps towards additional tax effort mainly because the Congress party has lost at the centre and the party does not want to be unpopular further with its electorate during the assembly elections expected to take place in the near future. In fact some of the state governmnets had announced various concessions through the withdrawal of land surcharge, reduction in the irrigation rates and power tariff to provide relief to the electorate prior to the Lok-Sabha elections.

costly concessions

These concessions were expected to cost about Rs 200 crores to the states exchequer and could be justified in political terms but from the point of view of economic considerations, they were not only unjustified but they would retard the progress of the states. Fiscal wisdom and discipline is required on the part of the state governments in tackling various problems from the point of view of broader national interest. One can only hope that the Janate government at the centre will take steps to inculcate fiscal discipline among the states.

Taxation of the agricultural sector falls within the jurisdiction of state governments. The two most important taxes levied on the agricultural sector are land revenue and agricultural income-tax. However, their importance in the revenue from state taxes has been declining progressively. The share of land revenue was 5.2 per cent in the revenue from state taxes in 1976-77 (Budget). The burden of agricultural income-tax has also declined steeply and it has become more or less of a kind of surcharge, at least, on the higher income brackets in the agricultural sector. On the other hand, the agriculturists have continued to improve their relative economic position due to the rise in their income owing to the increase in productivity of land and rise in the prices of agricultural commodities. Their position has also improved due to the agriculture-oriented expenditure policy of the government and the various subsidies that are given to them. There is thus a vast scope of raising additional resources from the agricultural sector. This has been emphasized from time to time by a number of commissions and committees. What steps can be taken in this direction is a matter of detailed examination. Needless to say that great political courage is required on the part of the state governments especially under the changed circumstances.

important sources

Sales tax has continued to be the most important source of revenue in the states' tax-system during the recent past. At present it forms 56 per cent of the revenue from state taxes. However, there is need for reform in this area also. The per capita incidence of sales tax is not necessarily higher in those states which have a relatively higher per capita income. For instance in 1976-77, the per capita sales tax at Rs 53.07 was the highest in Maharashtra, while the per capita income is highest in Punjab. Similarly, the per capita sales tax at Rs 17.52 in Uttar Pradesh was lower as compared to the per capita sales tax in Kerala (Rs 45), Rajasthan (Rs 22.56) and Madhya Pradesh (Rs 19.53) whose per capita income is relatively lower than that of Uttar Pradesh. These data emphasize the need to plug evasion of sales tax by tightening up the administrative machinery and through frequent surprise checking of stock registers of the dealers by the sales tax inspectors and officers. There is also need for rationalisation of sales taxation and its more effective assessment and realisation than at present. In addition, steps have also to be taken to reduce the increasing arrears of sales tax.

The next important source of revenue is states' excise duties which form about 12 per cent of the revenue from state taxes. The contribution of this source of revenue varies considerably in the tax structure of individual states. The share of excise revenue in the revenue from state taxes of Nagaland and Sikkim is 50 per cent and the states of Himachal Pradesh, Jammu and Kashmir and Andhra Pradesh also rely heavily on this source of revenue. However, Gujarat with vigorous prohibition derives only 0.4 per cent of its total tax revenue from this source, while in Tamil Nadu the loss of excise revenue after the re-imposition of total prohibition is over Rs 50 crores. In view of the increasing need for more resources, the state governments should carefully examine whether the policy of prohibition is serving its real purpose. Past experience has not been satisfactory in this regard as a number of cases of illicit distillation have been reported and the drinking habit is also on the increase. It would be better late than never if the state governments still retrace their steps in the matter of prohibition.

The state governments have been incurring heavy losses on irrigation projects as also on electricity schemes. The states must suitably modify their structure of water rates so that they may at least not incur losses on these projects. The states' electricity boards should also suitably modify their electricity tariff structure and improve their efficiency by reducing working expenses. However, this should be done in a manner that any upward revision does not adversely affect the agricultural and the industrial development of the country.

The state governments depend to a considerable extent on the centre and the resources that are transferred from the centre to the state governments have continued to increase and will continue to do so in future as well. There is no harm if the central government provides increasing assistance to the states but this should not induce lethargy on the part of the state governments in tapping their own sources of revenue. What is, therefore, necessary is that in transferring resources from the centre to the states considerable weightage should be given to the performance of individual state governments in raising its own resources along with the other factors that are taken into account.

RECORDS AND STATISTICS

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Aluminium industry : problems and prospects

R. K. Palit

The author discusses the current problems and prospects of the aluminium industry and suggests some remedial measures like abolition of dual pricing, reduction of excise duties, and also makes a plea for supply of power to aluminium smelters according to the contracted commitments.

WITH AN expected output of around 200,000 tonnes, the aluminium industry is working only to about 60 per cent capacity due to power shortages. What this means to the economy can be understood better if it is realised that at today's prices it would cost about Rs 600 crores to build new capacity equal to that which is now lying idle. Another way to look at it is that the country could earn about Rs 130 crores in foreign exchange annually if the industry was working to capacity and all the excess production over current levels of output were to be exported. In addition, government revenues would be increased by higher receipts in the form of corporate taxes and other levies.

It has recently been suggested that aluminium producers should install captive power plants. While this is possible for locations near the coal belt, producers in western India would need to rely on hydro sites. Furthermore soft loans would be needed similar to IDA loans to make such hydro plants economic. It is also doubtful if at today's high prices the industry can sustain the enormous investments required to build the power plants.

dual pricing

In the international aluminium industry, which benefits from advantages of low transportation costs and sophisticated technology, it is generally agreed that a price of close to Rs 11 to Rs 12 per kilo will be needed to justify building new plants. The aluminium producers in India today are realising only about 60 per cent of such prices on an average due to dual pricing. Even if dual pricing were to be abolished, the incredibly high excise duties on such a basic industrial metal as aluminium would make it impossible to realise more than 75 per cent of the required price.

Thus the immediate action required would appear to be as follows:

—Abolish dual pricing and price controls.

—Reduce excise duties.

—Make sure that all the smelters are given full power according to the original contractual obligations. This is not only a question of economics but one of equity and justice also. How can the industry expand to the extent required if there is no confidence in being able to obtain all the electricity agreed upon and contracted for prior to the investment being made.

future needs

By 1990, the country will need about 700,000 tonnes of aluminium capacity which would still be less than one kilo per capita against higher levels of usage already obtaining in such developing countries as Thailand and Malaysia. To build this additional capacity would require about Rs 1,500 crores or roughly an investment of Rs 120 crores per annum from 1978 onwards at current prices.

This is not at all possible unless existing capacity is brought into full use so that the additional cash generation can go towards expansion of the industry.

The above figures exclude the high investment required in semi-fabricating facilities which the producers would need to install along with smelting capacity in order to have marketable products for the output. The marketable products would, in turn, be fabricated by thousands of small and medium scale businesses, thus improving the employment situation in the country. It follows that the semi-fabricating industry should also be considered as being in the core or priority sector. If today, Bhilai, Rourkela an other steel plants were only producin steel ingots then almost all steel woul have had to be exported. It is only th big producers who have the finances an technical know-how to produce semis o a large scale.

discovery of deposits

A recent development in India of interest is the discovery of large bauxit deposits on the east coast and thought i being given to putting up an export oriented alumina plant which is not a powe intensive operation. Similar plants are i various stages of implementation in som other countries of the world. India, also should be able to find suitable expor markets for alumina, but it will have t be tied up to long term supply contracts.

In due course, further forward integration may lead to production of aluminium ingot for the export market. At present due to power and financial constraints i would be a sound economic decision t stop at the alumina stage.

It can thus be seen that given necessar encouragement, the industry can play a more important role in the next two decades than is currently realised. The poorly developed areas of the countr would benefit, the foreign exchange earned would shore up our reserves and allow the import of other badly required inputs.

Aluminium is one of the most versatile inputs for a growing economy. For example, it carries electricity, transports people, packages products, builds homes and is the *sine qua non* in every kitchen. Very few products, including the newer plastics, have such a wide range of use. Any impediments in the path of the industry must be removed so that the economy can gain from the many-sided qualities of this remarkable metal. The industry is a natural for the country, given its resources of bauxite and potential hydro power and thus must not remain bogged down in a plethora of strait-jackets as it is today.

Courtesy—**Indalink**.

WINDOW ON THE WORLD

Pakistan : measures for revival of economy

Pakistan has been living beyond its means. There have been budgetary deficits and the gap in balance of payments has been widening. This feature details measures that the government is taking to correct the situation.

THE ECONOMIC performance of Pakistan in the recent past has been most disappointing. In the last six years the average annual rate of growth was about four per cent as against the growth of seven per cent actually registered by the economy in the last decade. We touched the bottom last year when there was hardly any growth and per capita income declined by two per cent.

The country has been living beyond its means. There have been heavy budgetary deficits and the gap on the balance of payments has been widening. The high level of deficit financing has resulted in serious inflationary pressures. The monetary expansion has occurred at the average rate of about 20 per cent per annum over the period 1973-77 while the annual growth was only four per cent. This inevitably exerted pressure on prices. The wholesale price index increased by 27 per cent in 1973-74, 20 per cent in 1974-75 and has been increasing at around 11 per cent in 1975-76 and 1976-77. The cost of living index also showed a similar variation and increased by as much as 30 per cent in 1973-74, 27 per cent in 1974-75, 12 per cent in 1975-76 and about nine per cent last year.

To meet this situation it is necessary to take action on many fronts. Measures have to be taken to deal with the stagnation of the economy and to activate growth. Special efforts have to be made to mobilise domestic resources in the context of the large budgetary and balance of payments deficits. A stabilisation programme has to be adopted for containing prices. A medium-term plan has to be drawn up to provide a framework for our future economic policies and programmes.

Several measures for reviving the economy had already been announced in September, 1977. In the field of agriculture, special efforts were made to provide quality seeds and adequate supply of fertilisers. Steps were also taken to improve plant protection. Agricultural credit has been rapidly expanded and remunerative support prices have been fixed for several crops. These measures have already had salutary effect on the kharif crop. Our cotton production has registered an increase of 35 per cent over the level of the previous year and we will be close to the target of 3.5 million bales. Rice production is now estimated at 2.9 million tons, recording a growth of eight per cent. There has been a slight decrease in the production of sugarcane.

However, despite this, sugar production for the year is estimated at seven lakh tons. Minor crops like maize, jowar and bajra are also expected to register a modest improvement. The prospects of wheat crop are fairly good and the production target of 9.3 million tons is likely to be met.

In the industrial sector several measures have already been announced for promoting industrial investment in the private sector. The agricultural processing industries have been denationalised. Demarcation of public and private sectors for the purpose of industrial investment has been made. A concessional interest rate has been prescribed for fixed investments and the procedure for sanctioning industrial projects has been streamlined. The investment climate has already registered a distinct improvement which is reflected in the steep rise in the index of share prices, which has risen by 20 per cent since June, 1977.

production targets

Production targets have been fixed for 13 major industries and machinery has been set up for overseeing implementation and devising measures for removing impediments to industrial growth. Several concessions have been given to the textile industry including subsidised price of raw cotton and its credit requirements are being adequately met. Labour situation has recorded distinct improvement and it is expected to improve still further as a result of recent tripartite conference. Several tax concessions have already been granted to industrial sector and fiscal anomalies have been removed. A number of new measures have been announced on January 1, 1978, which will give further fillip to industrial production.

In the first quarter of the current fiscal year our efforts succeeded mainly in reducing the pace of decline in industrial production. Since October, there is distinct improvement and the production is showing an upward trend. Notable increases have been registered in the production of vegetable ghee, cigarettes, paper, paperboard, cotton textiles, fertilisers, cement, jute goods and tyres and tubes. Industrial production is still below the targets fixed by government. However, the future prospects for growth appear to be reasonably good.

The measures for containing the budgetary deficit were announced on January 1, 1978. The growth of agricultural and industrial production is expected to lead to increase in exports which should have a healthy effect on the balance of payments situation. It is however, evident that for some years, the balance of payments gap will have to be met with the help of external resources. The inflow of foreign economic assistance in 1977-78 is proceeding according to expectations. The Consortium countries have already indicated their pledges at the recent meeting in Paris which amount to $755 million inclusive of the expected assistance for Tarbela dam. The level of aid commitment this year by Consortium contries is likely to be significantly in excess of the commitments made last year. The aid from OPEC and other non-Consortium countries is also expected to be in line with our projections.

major factors

The major factors responsible for the persistence of strong inflationary trends in economy have been escalation in import prices and excessive monetary expansion without a corresponding rise in real production. Imperfections of our marketing and distribution system have further aggravated the problem.

Not much can be done so far as the rise in international prices is concerned which currently is of the order of seven to eight per cent in the developed countries. Domestically the basic cause of excessive monetary expansion has been the deficit in government financial transactions. In view of heavy commitments of expenditure, both in development and non-development sectors, sharp curtailment in expenditure is not feasible without adversely affecting economic activity and employment. On the other hand there is limited scope for raising resources through direct taxation due to limited taxbase. Raising of resources through indirect taxation itself involves controlled and specific increases in prices. This is, however, to be preferred to unbridled inflation due to deficit financing.

Other price stabilisation measures which have been taken are the following:

(i) Prices of atta, sugar, vegetable ghee, kerosene oil and tea are being kept at constant level.

(ii) The open market prices of wheat have been showing an upward trend. Arrangements have, therefore, been made to import 10 lakh tons of wheat. The details have already been announced on January 1, 1978. Wheat will be sold freely in the open market at Rs 45.81 per maund. In view of the easy supply position, there will be no quantitative restriction on such open market sales.

(iii) To curb profiteering the number of utility stores have been increased from 500 to 577 and would be further increased to 750 by June, 1978.

(iv) Refined edible oil is better for health than hydrogenated vegetable ghee. To popularise refined edible oil and to give relief to consumers the Vegetable Ghee Corporation has been directed to market a refined blend of quality edible oil at a price about 20 per cent lower than the price of vegetable ghee.

(v) Price controls have been imposed on certain essential goods and federal government as well as provincial governments and local administrations are keeping a close watch on prices and taking action against anti-social elements. Marketing arrangements are being improved to curb monopolistic tendencies.

Fortunately the price increases during the first five months of the current fiscal year has been moderate. The index of wholesale price recorded an increase of of 4.4 per cent over the first five months of the current fiscal year and the cost of living index has increased by 4.6 per cent. The index of 28 essential items rose by 3.7 per cent over the same period. So far, the indications are that the price increase during the current fiscal year will be in single digit.

It is clear that there is no easy short-term solution of the price problem. A solution has to be sought in the long run through increased production and following a prudent, fiscal and monetary policy.

For many years now the country's economic development has not been based upon a medium-term plan which has led to ad-hoc decisions and uncoordinated portfolio of projects and programmes. The resulting wastages and lack of direction needed is to be corrected and the Planning Division has been directed to prepare a five-year plan for the period beginning with July 1 this year. Priorities have been given to the planners, foremost among which are promoting rapid and balanced rural development, meeting the basic needs of the population, accelerating the growth of backward regions and providing adequate infrastructure to fulfil the pressing needs of the people and the economy. The outline of the new plan is likely to be available in March, 1978 and implementation will commence from July 1, 1978.

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An Eastern Economist Survey

Rayon Industry in India's future

Trading freedom an urgent need

V. Balasubramanian

THE VISCOSE filament yarn industry, which is a part of the man-made textile sector, is a good example of the fruitful integration of large-scale and small-scale manufacturing activities. The main raw material for the industry is rayon grade wood-pulp and its manufacture calls for heavy capital investment, sophisticated techonology and large-scale production. The spinning of viscose filament yarn, popularly known as rayon yarn, also demands considerable capital investment in large-scale units geared to continuous improvements in processes and products. This large-scale industry has an essential role to play in the production of rayon textiles.

However once yarn is spun from pulp, the decentralized sector takes over in a big way. For over 25 years rayon yarn has steadily built up its position as an important raw material for weaving in the decentralized sector. Rayon fabrics, woven on handlooms and powerlooms, have become popular among the low and middle income groups in both rural and urban areas.

Ceremonial wear

Known as "art silk", rayon textiles have not only brought some degree of glamour to the ceremonial wear of the less affluent sections of the people, but they have also proved to possess many utility attributes as a popular fabric for clothing in daily use. Thanks to access to this useful raw material, the handloom and powerloom industries have been able to increase their prodution and step up employment in the decentralized sector. They have also secured a certain degree of immunity from the uncertainties of supply and prices associated with raw cotton, the production of which is dependant on the weather. Thus, it may be said with some assurance that the progress of the domestic viscose filamant yarn industry, dating from the years 1950 when the first plant for the manufacture of this product was commissioned in our country, has been associated with the active functioning of the handloom and powerloom sectors as a considerable source of supply of textiles for mass consumption. It follows that, in the context of the heightened importance now being given to the development of cottage and small-scale industries, the rayon filament yarn industry deserves adequate consideration as a basic raw material producer for the decentralized sector in the textile economy.

Identity of interests

The substantial identity of interests between the viscose filament yarn industry and the decentralized weaving sector has led to the negotiation of voluntary agreements on the prices and distribution of yarn between the manufacturers of yarn and its actual users. The first agreement in this series went into force in 1969 and the system has served by and large the objectives of ensuring to the actual users in the decentralized weaving sector a greater part of their requirements at agreed prices. Under these arrangements, the manufacturers have been making available a certain percentage of their production to the actual users at prices generally lower than those ruling in the open market. The manufacturers have also been setting aside for exporters of rayon textiles another portion of their production, at a specially low price, the purpose being to give a fillip to exports of fabrics by providing replenishment yarn at a concessional price. The balance of the production, after these obligations have been met, are available for sale in the open market.

Although this agreement is described as voluntary, its main purpose has been to operate a system of informal, but nevertheless effective control over the prices and the distribution of rayon yarn so that handlooms and powerlooms may count on orderly supplies at stable prices.

Disciplinary impact

Since these agreements have been framed and implemented under the watchful eye of the Textile Commissioner of the government of India, they have a high disciplinary impact on the manufacturers of rayon yarn. However, where the weaving sector is concerned, the discipline has been much less strict and it has been observed that handlooms and powerlooms have not been willing to lift their quotas, whenever, for any reason, open market prices are lower than the prices settled under the agreement. Rayon yarn manufacturers have often grumbled about this "heads I win, tails you lose" situation but, for obvious reasons, they have also found it to be in their own interest to cooperate with arrangements intended to secure the orderly marketing of rayon yarn, which is important to the smooth or stable functioning of the decentralized weaving sector.

This, however, has not helped to avoid controversies, often acrimonious, whenever a new agreement has to be negotiated. The debate has been primarily over price and although this is supposed to be fixed on the basis of costing by the industry and cost investigations by the Textile Commissioner's office, yarn manufacturers and weavers have always been able to find room for bickering. As a result, the Textile Commissioner has often had to mediate and, equally frequently, function as an arbiter. Broadly speaking, the government's intervention has been able to secure large concessions for the weaving sector with the result that the manufacturers of yarn have been left with a feeling that their legitimate claims for a fair return on capital plus sufficient allowance for depreciation and reserves have generally been denied to them. This sense of grievance has become all the more acute because no such voluntary agreements are in vogue in several other industries (including other branches of textiles) some of which are also manufacturing essential items for mass consumption.

Urgent needs of rayon industry

1. **The voluntary agreement on prices and distribution, providing for supplies of viscose filament yarn by spinners to actual users, should remain suspended so long as the unrestricted duty-free imports of this yarn are permitted.**
2. **Imports of viscose filament yarn need to be regulated so that they do not discourage production in the indigenous industry by depressing the prices of yarn unduly. The customs duty should be reimposed at a rate which raises the landing cost of imported yarn by at least 10 per cent above the fair selling price of indigenous production. This is absolutely necessary if rayon spinners are to discharge their obligation of providing replenishment yarn to exporters of rayon fabrics at a concessional price.**
3. **The import duty on rayon grade wood pulp should be abolished since indigenous manufacturers of wood pulp do not stand in need of protection and are operating in a sellers' market.**
4. **The incidence of excise duty on viscose filament yarn is excessively heavy and it needs to be reduced substantially.**
5. **The financial requirements of the industry for the rehabilitation and modernisation of its plant and equipment should be taken into account when assessing a fair and adequate return for spinners from their total sales of yarn.**
6. **Reasonable freedom for the industry with regard to prices and sales including sales in the open market, is important if the stagnation in investment and production capacity is to be eliminated and expansion is to be resumed, so that the industry could satisfy the growing requirements of domestic consumption and exports in the coming years.**

Nevertheless, the rayon filament yarn industry sees the necessity for the orderly marketing of its output, on while production, employment and earnings in the decentralized weaving sector is heavily dependant and is therefore conscious of its own interest in cooperating with the actual users of yarn through voluntary agreements provided the terms are not one-sided. The last agreement had come to an end on March 31, 1977 and a new agreement for another two-year period ending March 31, 1979 has become due. The spinners have so far not been able to persuade the weavers and the Textile Commissioner to agree to a structure of prices for viscose filament yarn of various descriptions which would secure for the rayon yarn industry a rate of return which would allow for adequate depreciation and some ploughing-back of capital into reserves as well as a dividend of six per cent to the shareholders. According to the calculations of the industry, this would indicate a rate of return of 18 per cent after tax on share capital and reserves.

On November 23, 1977, the Textile Commissioner, while communicating the government's decision, informed the yarn manufacturers that, under the new agreement, the industry would be entitled to charge Rs 22 per kg ex-factory (exclusive of excise duty and other imposts) for 120 denier bright finish first quality viscose filament yarn for the quarter April-June 1977. The prices for the subsequent quarters were to be announced in due course. On November 30, the Textile Commissioner notified the price differentials for other quality of yarn. They were related to denier, finish, makeup and quality.

Travancore Rayon in 1976

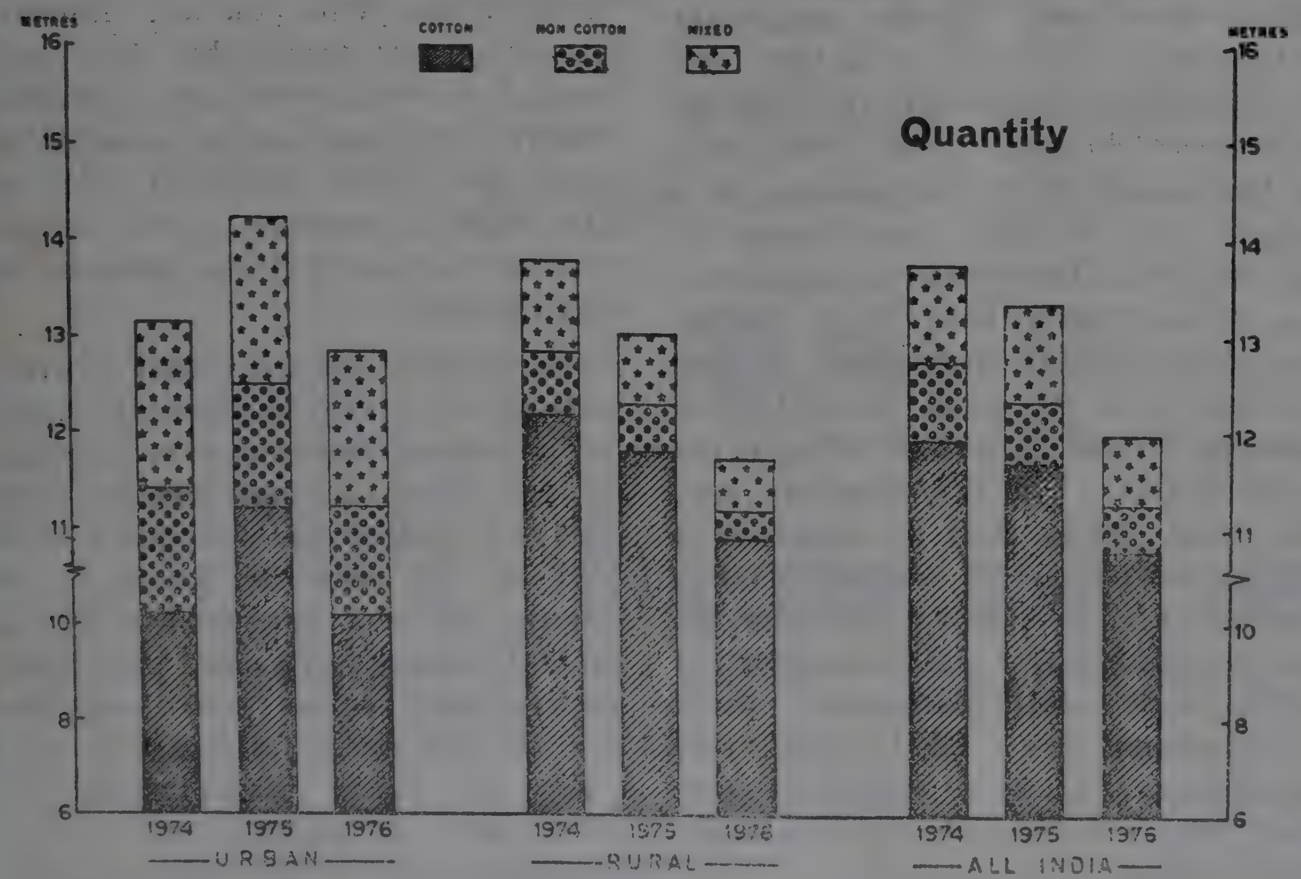
The directors regret to report that the continuance of the acute depression in the market for rayon yarn as well as cellulose film and the production loss caused by a serious fire in the company's moisture proofing plant have caused a loss for 1976........

In view of the loss sustained, your directors are unable to recommend any dividend—either on preference or on equity—and request the shareholders to bear with them. Recently, rayon yarn prices have staged a recovery. Your directors fervently hope that the year 1977 will take a turn for the better.

From the Directors' report
dated April 25, 1977

These prices came as a shock to the yarn manufacturers, who felt that their representations for a fair price, assessed by them at Rs 28.04 per kg exfactory had not received serious consideration. The revised price of Rs 22 per kg for 120 denier bright finish first quality was only 67 paise higher than the price for the preced-

PER CAPITA CONSUMPTION OF TEXTILES BY FIBRES IN URBAN AND RURAL AREAS



ing January-March quarter and it did not, in the industry's view, take into account cost escalations verified according to established costing procedures. Moreover, the differentials for certain deniers were even substantially less than those for the previous quarter. In a representation to the Textile Commissioner, the Association of Man-made Fibre Industry promptly pointed out that the prices were very much below the cost or the fair price computed by the industry as per established principles of costing. It complained that the prices fixed failed to provide even a minimum return of 12 per cent post-tax which had been granted by the authorities to several other industries, such as cement, steel, sugar and textiles. Referring to the differentials, the Association stated that they did not appear to have been worked out on any scientific formula taking into consideration the relevant technical factors. It therfore contended that the revised prices were highly uneconomical and unremunerative to the industry.

Percentages of production

The Textile Commissioner had also laid down the precentages of production which the spinners should make available to weavers and also to exporters of rayon fabrics as export replenishment yarn. The share of actual users was fixed at 45 per cent in the case of six (larger) spinning units and 30 per cent in the case of the remaining two. The two largest among the former, Century Rayon and National Rayon were directed to allot 25 per cent of their production to exporters, while Baroda Rayon, South India Viscose, Kesoram Rayon and Indian Rayon were asked to supply 20 per cent of their respective outputs.

Travancore Rayon and J.K. Rayon were exempted from the obligation to provide export replenishment yarn. The export replenishment yarn is to be sold at the special concessional price of Rs 14 per kg for 120 denier bright finish first quality. It was also said that Century Rayon and National Rayon should normally be called upon to supply only 20 per cent of their production as replenishment yarn to exporters and that only in case the overall requirements exceeded 20 per cent of the production of the first six units, the question of allocating further quota of yarn up to 25 per cent of the production of these units would be considered. In the case of spinning units which had expanded their installed capacity after April 1, 1974, the entire expanded production was exempted from distribution to actual users. Again, the units which had expanded their installed capacity after April 1, 1974, were required to supply 12½ per cent of their production to the exporters of rayon textiles.

While the various percentages for distribution notified by the Textile Commissioner were the same as under the old agreement, they were higher than those which the spinners had pleaded for. The Association of Man-made Fibre Industry had earlier urged that the pattern of distribution should be 15 per cent to exporters at concessional prices and 35 per cent to actual users at the agreed prices so that the spinners would be left with the remaining 50 per cent for sale in the open market instead of the 30 per cent as under the Textile Commissioner's formula. Their argument was that, only if they were free to sell a larger percentage of their production in the open market, would they be able to recoup over a period the losses incurred by them on supplies of export replenishment yarn at less-than-cost concessional prices.

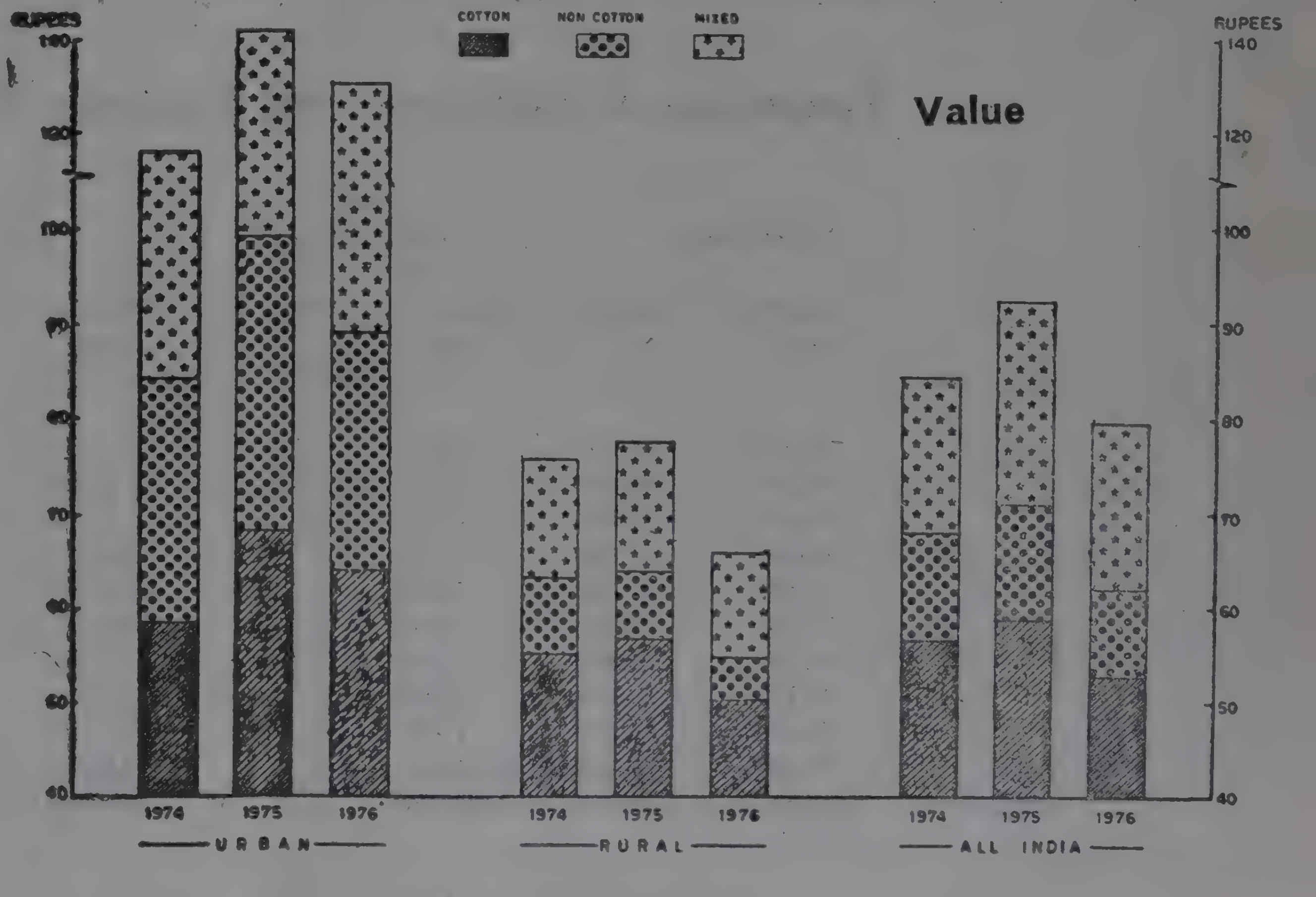
Century Rayon in 1976

The prices of rayon yarns continued to remain depressed and unremunerative practically throughout the year. The present profitability of the rayon industry is not very satisfactory. The voluntary agreement between the spinners of rayon yarn and the weavers' association has been kept in abeyance inter alia due to recession in the market prices. Howerver, the company has to supply up to 25 per cent of its production for export purposes at concessional rates, which are substantially lower than not only the present market prices of rayon yarn but even the actual cost of production.

From the Directors' report
dated February 21, 1977.

In these circumstances, the viscose filament yarn industry has expressed its inability to implement a voluntary agreement on prices and distribution on the lines laid down by the Textile Commissioner. At the same time, as a gesture of goodwill, the industry has notified its acceptance of the price of Rs 22 per kg for 120 denier bright finish for the period April-June 1977, but has reaffirmed its inability to agree to the revised differentials. The industry has made it plain that

PER CAPITA CONSUMPTION OF TEXTILES BY FIBRES IN URBAN AND RURAL AREAS



it is offering this compromise on the clear understanding that prices for the subsequent quarters will be based on the actual cost and that return computed as per the norms prescribed, at the rate of a minimum of 12 per cent on net worth, i.e. equity plus reserves. It has also urged that the interest paid on borrowed capital should be taken as an element of cost and that the differentials should be revised on a realistic basis.

It has explained besides that, since the government has been permitting unrestricted duty-free imports of yarn, there is at present a buyers' market where prices are ruling at less than 10 per cent on an average above the revised prices announced by the government for April-June 1977 quarter. The actual users are now in a position to buy their requirements of yarn through the normal trade channels. The spinners therefore feel that the undertaking to supply a part of their production to the actual users at notified prices could be kept in abeyance for the time being and that the only obligation that should be laid on the spinners now should be the obligation to supply export replenishment yarn. In other words, the new distribution arrangement should be on a two-tier basis under which the industry would be free to dispose of 80 per cent of its production in the open market while setting apart 20 per cent as export replenishment yarn. This arrangement would give the various units in the viscose filament yarn industry, some of which have suffered substantial losses in the recent years, time to stabilize their position by trading more freely in the open market without at the same time causing any hardship, supplywise or pricewise, to the weavers of rayon fabrics.

National Rayon in 1976

The voluntary agreement between the spinners on the one hand and the weavers on the other expired on the 31st March, 1977. Negotiations are going on for finalising a new agreement. The market prices being lower than the prices agreed to by the weavers for most of the period of the year under review, they fully did not lift the quantities reserved for them. As for the exporters' quota of the 25 per cent of the company's production, 12 per cent of the production was supplied in the year under review.

From the Directors' report
dated August 16, 1977.

Recently, the subject of "Textiles" was transferred from the Commerce to the Industry ministry. At the time of writing, it is understood that the latter ministry is engaged in examining the rayon industry's representations relating to the proper computation of a fair selling price for yarn supplied to actual users under a voluntary agreement on prices and distribution. However, a question has now arisen whether a voluntary agreement of this kind is at all necessary in the present circumstances. When it was found necessary to have such an agreement, the circumstances were quite different. The production of man-made fibres within the country was not quite sufficient to meet the growing demands for non-cotton textiles. At the same time, because of the limitations of foreign exchange, imports of yarn were not being allowed. Consequently the decentralized weaving industry needed some protection from violent fluctuations in supplies or prices and an arrangement for regulating supplies and prices was therefore desirable.

Today the situation has been radically transformed. Thanks to the growth of the domestic non-cellulosic fibre industry, the total availability of man-made fibres has very considerably improved, thereby reducing the importance of rayon filament yarn in the shopping list of the weaving sector. Moreover, in pursuit of its policy of utilizing the increases in the country's foreign exchange reserves for augmenting the domestic supplies of various goods, the government of India has allowed the duty-free import of viscose filament yarn. As a result, despite the stagnation in the output of rayon yarn within the country in recent years, the situation with regard to the availability of yarn has now become quite comfortable. The prices in the open market have therefore come down sharply.

As was mentioned earlier, imported yarn is now freely available at prices which are less than 10 per cent above those announced by the Textile Commissioner for the April-June 1977 quarter and accepted by the industry under protest. It

Production of Cellulosic and Synthetic Fibres in India

(Thousand Kgs)

Year	Viscose rayon		Acetate rayon		Nylon		Polyester		Acrylic staple fibre
	Filament yarn	Staple fibre	Filament yarn	Staple fibre	Filament yarn	Staple fibre	Filament yarn	Staple fibre	
1960	18,798	21,779	1,925	..	..	..	..	..	..
1966	33,311	42,769	1,337	451	1,920	..	..	2,547	..
1970	36,017	63,146	1,752	217	9,731	..	585	5,331	192
1971	36,819	60,740	1,622	328	10,303	20	532	5,729	84
1972	39,591	70,338	1,604	389	11,673	..	548	6,604	..
1973	37,214	62,627	1,630	538	10,928	..	1,850	10,527	..
1974	36,654	77,346	2,010	226	10,883	..	1,312	7,731	..
1975	33,118	66,831	1,889	317	13,380	174	2,491	14,336	..
1976	41,434	83,376	1,824	365	15,312	..	2,593	21,061	..
1977	29,454 (Jan-Sept)	79,761 (Jan-Nov)	1,997 (Jan-Nov)	214 (Jan-Nov)	11,964 (Jan-Sept)	..	2,702 (Jan-Sept)	16,091 (Jan-Sept)	..

is quite clear that the prices for the subsequent quarters will have to be fixed at levels higher than that for the April-June 1977 quarter if the voluntary agreement is to be implemented at all. In other words even the small gap now existing between the price of quota yarn for actual users and the price of imported yarn in the open market is bound to narrow further, when the price for quota yarn comes to be revised. Thus the voluntary agreement on prices and distribution is losing its usefulness or practical significant for the weaving sector.

Since weavers are now in a position to obtain their full requirements in the open market at reasonable prices, the continuance of the agreement, however, could impose unjustified hardships on the industry. It is necessary that the industry should be able to sell part of its production in the open market so that the higher realization from that source would compensate it for its losses on its sales or export replenishment yarn as well as for the low profitability of its supplies to actual users under their voluntary agreement.

Vanishing premium

Now that duty-free imported yarn is available in open market, the premium which the domestic manufacturers have been able to earn in that market has dwindled to a great extent. It would therefore be quite unreasonable to expect them to market the major part or even large precentages of their production at artificially lower prices. To put it briefly, while the weavers do not need the protection of a voluntary agreement on prices and distribution of yarn in the present circumstances, the spinners will find it an unfair obstruction to their legitimate efforts to earn a reasonable return.

That effort, in any case, is bound to be a difficult one, for what has become urgent and important now is that the domestic industry should be assured protection against unrestricted imports of viscose filament yarn free of duty. The government of India has taken the step of liberalization of imports of yarn at a time when there is a global recession in demand in the textile industry generally and the non-cellulosic fibre industry in particular. As a result the countries exporting rayon fibre yarn are under a strong temptation to secure whatever business they can by depressing prices. This means that imports could offer unfair competition to the domestic spinners. As a first step towards avoiding this danger, the government should reimpose the import duty on rayon filament yarn at a rate which ensures that there is no destructive competition in imports to the domestic spinning industry.

Baroda Rayon in 1976

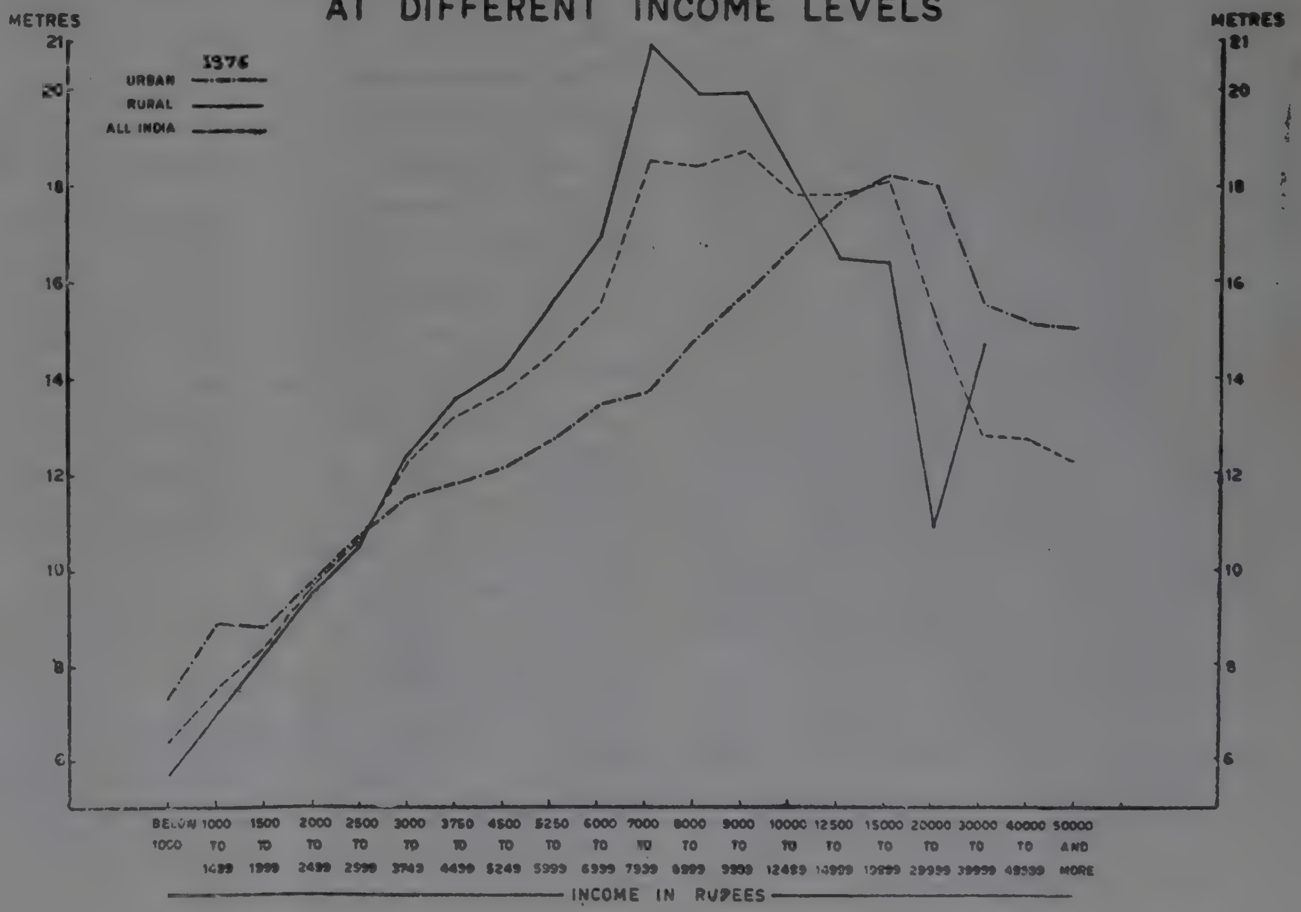
The rayon yarn market behaved slightly better as compared to nylon and polyester market, even though for rayon the prices continued to be unfavourable practically throughout the year. The weavers did not lift any quota under voluntary distribution scheme. The rayon industry, however, had to continue delivering up to 25 per cent of its rayon yarn production against exports of fabrics at higher concessional rates. Due to sluggish offtake of rayon yarn, the government permitted the industry to export 3,000 metric tonnes of rayon yarn in the year 1976-77. Against this permitted quota, the industry could hardly export about 500 metric tonnes...

From the Directors' report dated April 28, 1977

It is also necessary for the government to examine whether the national interests are best served by continuing liberal imports of yarn, especially as there is a much better alternative for serving th objective of ensuring sufficient supplies o yarn to the weavers. This alternativ would be to abolish the customs dut which is still being levied on import o rayon grade wood pulp at the high rat of 45 per cent. It is surely much mor desirable that the production of yarn should be increased within the country by allowing the import of wood-pulp rather than yarn. The production of wood pulp within the country has always had to be supplemented by imports and there is no reason to believe that the abolition of import duty on wood pulp will in any way discourage increases in production of wood pulp by domestic manufacturers. As it is, the domestic production of rayon grade wood pulp suitable for the manufacture of viscose filament yarn is unlikely to expand in the near future. The prospects, in fact, are that there may be shortfalls in domestic supplies of wood pulp for the rayon spinners due to various reasons. For instance, much the greater part of the pulp is claimed by the manufacturers of staple fibre. It is therefore very important that the government should give preference to the import of wood pulp rather than yarn and thereby strengthen the base of the rayon industry.

The textile industry as a whole has been passing through a difficult recessionary

ESTIMATED PER CAPITA CONSUMPTION OF TEXTILES AT DIFFERENT INCOME LEVELS



phase, which has lasted for 3½ years so far and is still not showing signs of any early demise. Squeezed by the combined action of escalating costs and consumer resistance to higher prices, large parts of various sectors of the textile economy have become financially weak and the phenomenon of sick units has been particularly conspicuous in the textile industry. The rayon spinners have had more than a share of this common trouble and the industry incurred substantial losses during the year 1975-76, with the result that, with the exception of one or two units out of eight producing viscose filament yarn, the industry is financially in a poor shape. Travancore Rayon and Baroda Rayon had to skip the payment of dividends to the equity as well as preference shareholders. J.K. Rayon and Kesoram Rayon again are in the same difficult position, while National Rayon, for the first time in its 30 years' existence incurred substantial losses for the year ended December 31, 1976. Indian Rayon had not paid any dividend to its equity shareholders for the first 19 years of its existence and has only just now entered the dividend paying list. The government's policy for the industry therefore has to be geared to the twin objectives of recovery and growth.

Incidence of Excise Duty on Viscose Filament Yarn & Cotton Yarn on Cones

Viscose Filament Yarn		Cotton Yarn	
Denier	Rate of Excise Duty (Rs per kg)	Comparable Count	Rate of Excise Duty (Rs per kg)
30	17.10	177	9.735
40	17.10	133	7.315
60	17.10	89	4.895
75	11.10	71	3.905
100	7.95	53	2.72
120	6.60	44	1.52
150	5.65	35	0.80
300	5.65	18	0.27
450	3.80	12	0.18
600	3.80	9	0.135

The most obvious means of rehabilitating the earnings of the industry is to stimulate sales and encourage a recovery in prices to more remunerative levels in relation to their increases in costs. This could be done immediately through a reduction in the excise burden on rayon filament yarn. The Jha Committee on Indirect Taxes has presented a well-reasoned criticism of the excise taxation of raw materials and intermediate goods and has held that the cascading effect of this scheme of taxation has caused a great deal of obstruction to the growth of the economy. It has also pointed out that man-made fibres and fabrics have been discriminated against by fiscal policy on the outdated assumption that they are less essential than cotton textiles.

Avoiding discrimination

Currently the cotton industry is making a legitimate demand for across-the-board reductions in the tax burden on that industry. While the government should consider this demand sympathetically, any action it may take on this representation should not be to the further disadvantage of the rayon industry. In other words, in revising the excise duty burden on textiles as a whole, the government should see to it that the incidence of excise duty is the same on viscose filament yarn as on comparable counts of cotton yarn. Much of the difficulty of the viscose filament yarn industry can be blamed on the discriminatory fiscal treatment of this yarn vis-a-vis cotton yarn.

After a rapid period of growth in the sixties, the production of viscose filament yarn has tended to stagnate. For most of the current decade, the industry in fact has been gripped by pessimism regarding growth prospects. Consequently, even though the government has invited applications for the establishment of new rayon units, no applications have been received. This is in spite of the fact that, since 1962, neither any new unit has been established nor has any existing unit effected worthwhile expansion of its capacity. On the contrary, some of the existing rayon spinners have thought it prudent to attempt diversification into the production of non-cellulosic fibres. Some of the factors responsible for this state of affairs have been discussed already. For instance, realisations from sales of yarn have been unremunerative over a period because, whenever prices in the open market have tended to decline, weavers have failed to lift their quotas at the prices fixed in the voluntary agreement on prices and distribution.

Secondly, the heavy and discriminatory

Comparative Analysis of Incidence of Excise Duty and Other Imposts on Viscose Filament and Cotton Yarn

Item	120 denier 1st quality bright yarn on cones	40s cotton yarn
1. Average Bombay Market price per kg.	31.70	22.60
(i) Less octroi @ 1%	0.31	0.22
(ii) Freight	0.10	0.10
(iii) Brokerage	0.55	0.25
(iv) Sales tax @ 3%	0.90	0.64
(v) Excise duty	6.60	1.20
2. Nett ex-factory price realisation per kg.	23.24	20.19
3. Incidence of excise duty on yarn compared to ex-factory price realisation.	28.40%	5.94%
4. Incidence of total taxation per kg. of yarn:		
(A) Raw Materials		
(i) Import duty on pulp @ 45% ad valorem (assuming 30% consumption).	0.58	—
(ii) Excise duty on ind. pulp @ 2% ad valorem (assuming 70% consumption)	0.07	—
(iii) Excise duty on Caustic soda @ 10%	0.16	—
(iv) Excise duty on sulphuric acid:	0.08	—
(v) Import duty, excise duty, sales tax Octroi etc. on other raw materials	0.20	—
	1.09	—
(B) Excise duty on yarn	6.60	1.20
(C) Sales Tax on yarn	0.90	0.64
(D) Octroi on yarn	0.31	0.22
Total	9.00	2.06
5. Total incidence of various government and local imposts on average ex-factory price realisation	38.73%	10.20%

xation of viscose filament yarn has come the way of its securing a greater share the market vis-a-vis cotton yarn. There also the serious problem of lack of sources for rehabilitation and moderni- tion. The first rayon spinning unit was tablished in 1950, while the last unit in e industry commenced production in 962. The life of plant and machinery is ly 15 years in this industry because of e highly corrosive nature of the chemi- l processes. The existing plants have erefore become old and worn out and ey need immediate replacements. The dustry has no adequate means of financ- g the purchase of replacement plant and achinery because the generation of ternal resources has been quite insuffici- nt. It has therefore been pleading for epreciation being allowed on the basis f replacement of plant and machinery in ny scheme of price fixation. Finally the eturn on capital employed allowed for rice fixation has also to be reasonable, whether reserves are to be built up or ew investments attracted.

Basically the need is to take a view of the industry in its medium-term context. While the prejudice in official circles against rayon as a non-essential industry in relation to cotton textiles has died down, a new threat has been posed to the cellulosic fibre industry by advances made by the non-cellulosic or synthetic fibre industry. Non-cellulosic man-made fibres have been forging ahead the world over and in our own country the production of these fibres has been rising. While it is quite true that the people need a properly balanced multi-fibre textile economy, the viscose filament yarn industry is in a vulnerable position in the sense that, unlike viscose staple fibre, it does not find much use in the manufacture of blended yarns. It follows that it needs considerate treatment if it is to hold its due place in the textile economy as a fibre having its own special qualities which make it acceptable and desirable for a variety of consumer requirements.

In this context, a brief reference to the global textiles situation should be relevant. Although man-made fibres as a whole have made aggressive inroads into the domain of cotton and have established themselves on a rough parity as regards production and consumption, cellulosic fibres have failed to hold their own vis-a-vis synthetic fibres. In the intensive inter-fibre competition that has developed, viscose filament yarn has been losing ground in the world textile landscape. In the developed countries there has been significant disengagement in the field of cellulosic fibres, particularly viscose filament yarn. The improvements brought about in synthetic fibres particularly polyester filament yarn, with regard to their versatility, durability and other attributes have resulted in their offering formidable competition to viscose filament yarn. The price increase of cellulosic raw materials and energy have also acted as a brake on the expansion of cellulosic fibres in developed countries. The viscose filament yarn industry again is labour-intensive as well as capital-intensive which is another reason why investments in the developed countries are shifting from this industry to others which offer higher profitability. In fact the rayon fibre cost has been often higher than synthetic cost for the same denier in many developed countries manufacturing both textiles. Finally, the demands of pollution control have added to the capital of the rayon spinning units and also their operating costs. Given these disadvantages, the rayon fibre industry in the developed countries has been specially hard-hit by the recession in the tex-

Indian Rayon in 1976

The production of rayon yarn during the year could be increased further due to technological improvements and innovations as well as improvements in efficiency by the constant and dedicated efforts of the company's technical personnel. The overall working of the division was satisfactory. The prices of rayon yarn which were not remunerative during the first half of the year had shown improvement. However, the prices have recently declined substantially.

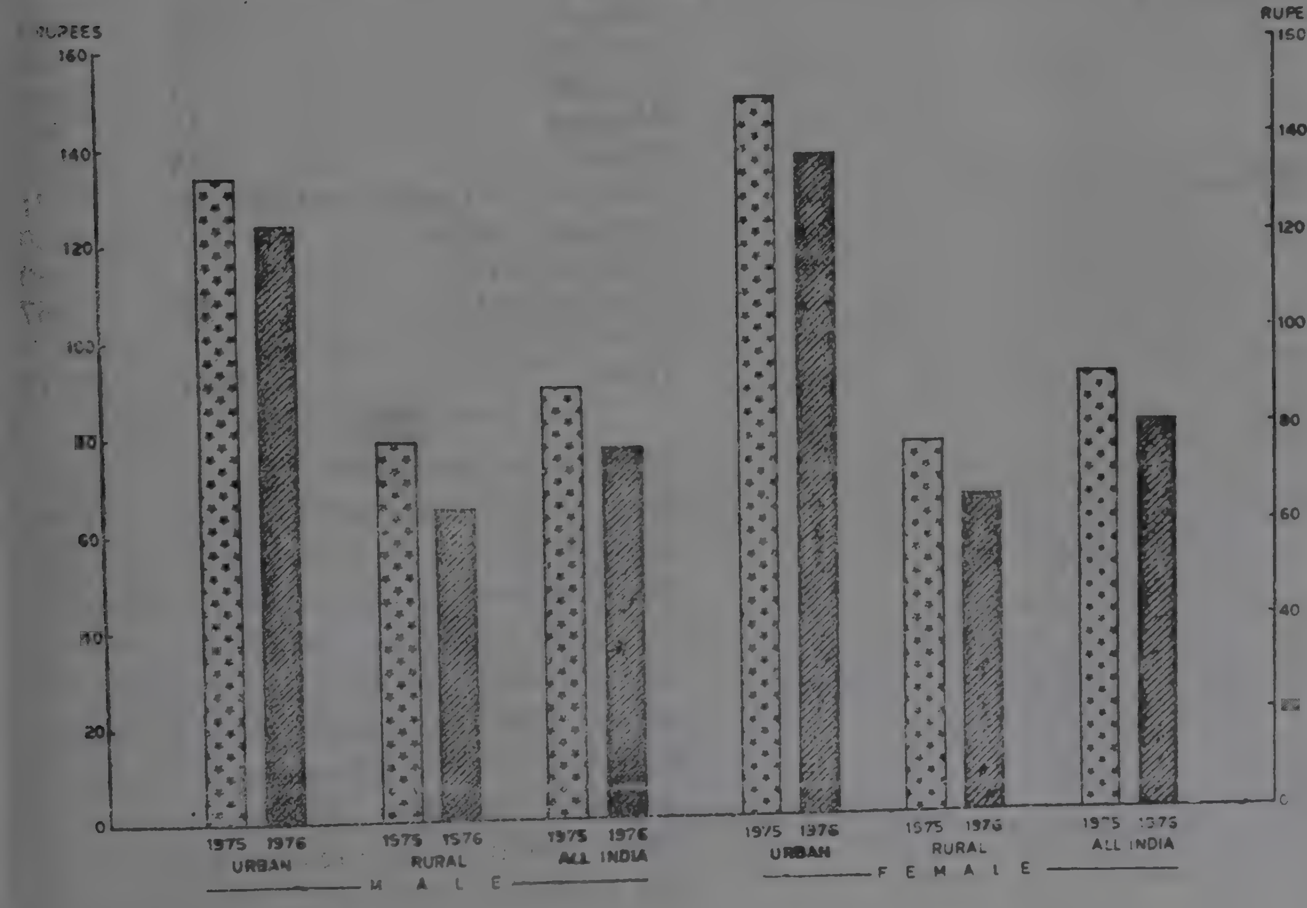
Though the voluntary agreement with the actual users and exporters of art silk fabrics expired during the year, the government directed all rayon filament yarn manufacturers to continue supply of rayon yarn to actual users and exporters of art silk fabrics at the old prices. The rayon yarn manufacturers have already represented to the government for an increase in the present prices, which are not remunerative. The decision of the government is expected to be announced shortly.

The consumption of indigenous pulp in significant proportion for the manufacture of rayon yarn has continued during the year but due to reduced availability of indigenous pulp in future, the company might have to use a larger quantity of imported pulp in the current year. Since the landed cost of the imported pulp is higher than the indigenous pulp, the profitability of the company is likely to be adversely affected.

From the Directors' report
dated November 8, 1977

PER CAPITA CONSUMPTION OF TEXTILES BY SEX

1975—1976



tile economy with the result that not only new investments have been given up, but the less profitable plants have been shut down.

The scenario, however, is fortunately different in developing countries including India. Here rayon textiles have won strong popular acceptance which is not easily eroded. The climatic conditions of tropical regions favour viscose filament yarn fabrics to some extent. The handloom and powerloom sectors are also more disposed to handle cellulosic fibres than synthetics. Above all the relative inexpensiveness of rayon textiles is an impressive selling point in its favour especially in the rural markets of India where men and more especially women are constantly looking for variety and attractiveness in textiles without having to pay much higher prices for these qualities. Apart from this large potential of the domestic market, the viscose filament yarn manufacturers could also look forward to stepping into the breach caused by the gradual withdrawal of the industry in some of the developed countries. In this sense the Indian rayon industry has a good chance of maintaining and improving on its position not only in the domestic market for textiles but also in export markets.

The present government is pledged to programmes of large investments in the agricultural sector and rural industries. It has also committed itself to the intensive encouragement of the decentralised sector in the textile economy. Both pursuits are favourable to the widening of the scope for the viscose filament yarn in our textile economy. This yarn is already a favourite with the weavers in the decentralised sector and every incentive or facility given to that sector for its growth should also stimulate the demand for viscose filament yarn. Again, any improvement in rural purchasing power, consequent on increased investment in rural development, may lead to extension of the market for rayon textiles. Our knowledge of patterns of textile consumption in the years 1974, 1975 and 1976 should tell us that, in any good agricultural year, when crops have been large and farm incomes have risen, the consumption of textiles in rural areas has gone up smartly.

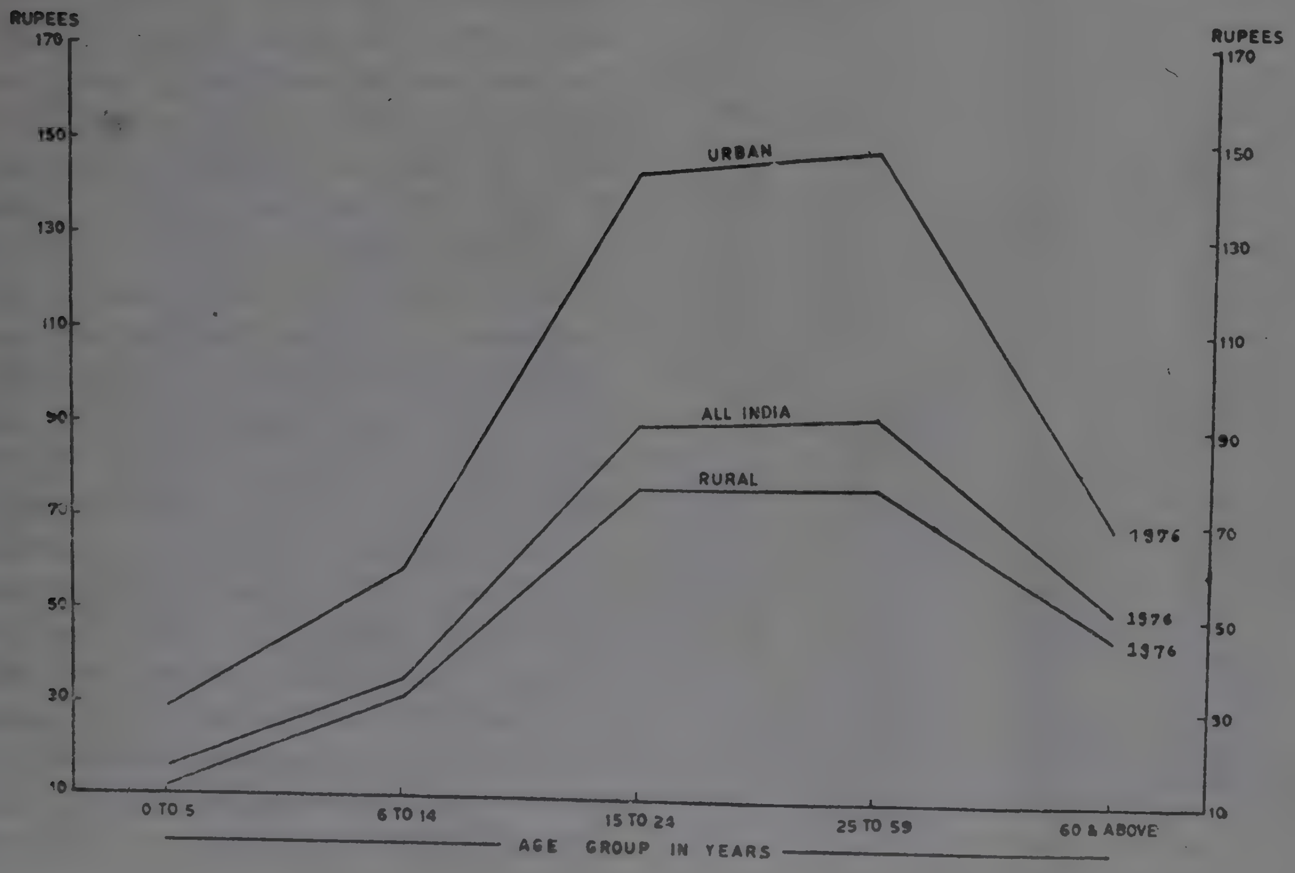
In fact, according to a sample survey of the Market Research Wing of the Textiles Committee, the per capita consumption of cloth in 1974 was actually higher in rural areas than in urban areas. The demand for textiles, of course, is both price-elastic and income-elastic and the viscose filament yarn industry is well suited to exploit these relationships because the prices of rayon yarn have ris much less than those of competitive fib in recent years. All this makes the visc filament industry a fit candidate for imaginative policy aiming at healthy e pansion. In the current context, a beginning towards this policy could best be made by freeing the rayon spinners from the unnecessary strait-jacket of a voluntary agreement on prices and distribution on the old lines, which has outlived its utility. The circumstances now prevailing constitute an ideal environment for a spell of trading freedom for this industry, which would serve to restore it to healthy and dynamic activity.

Estimated Aggregate Consumption o
Textiles by Individual Fibres

Q=Quantity in million metr
V=Value in million rupees

Fibre	1976	
	Q	V
All-India Level		
Cotton	6580	3228
Pure silk	36	131
Art silk	68	74
Woollen	30	115
Nylon	48	78
Polyester and other synthetics	75	143
Polyester cotton	376	937
Polyester wool	6	35
Other mixed	80	93
Total	7299	4837
Urban Areas		
Cotton	1285	8018
Pure silk	23	974
Art silk	23	251
Woollen	12	565
Nylon	33	533
Polyester and other synthetics	42	860
Polyester cotton	164	4414
Polyester wool	5	299
Other mixed	29	467
Total	1616	16401
Rural Areas		
Cotton	5295	24265
Pure silk	13	336
Art silk	45	496
Woollen	18	585
Nylon	15	233
Polyester and other synthetics	33	571
Polyester cotton	212	4959
Polyester wool	1	60
Other mixed	51	467
Total	5683	31972

ESTIMATED PER CAPITA CONSUMPTION OF TEXTILES FOR DIFFERENT AGE GROUPS



More facts and figures

UNTIL 1976, the viscose filament yarn pinners could draw on indigenous manu-acturers of wood-pulp for about 90 per ent of their requirements of this raw aterial. Since the two manufacturers of ulp are also producers of staple fibre, nly the pulp surplus to their requirements is made available to filament yarn manufacturers. The government's directive o textile mills to consume a minimum of 0 per cent of man-made fibres has sent p the demand for viscose staple fibre. Although both manufacturers of pulp have increased their production substan-ially and are implementing further ex-pansion programmes, the supplies of ndigenous pulp available to the filament yarn industry has nevertheless been reduc-ed. As a result the spinners' dependence on imported pulp has increased as shown alongside.

Taxing pulp

The proportion of imported pulp used by viscose filament yarn manufacturers has thus increased to about an average of 28 per cent of the total consumption of pulp during 1976. Some of the spinners have consumed higher percentages of imported pulp. For instance, National Rayon's consumption during July-September 1977 quarter was as high as 77 per cent. It is believed that the proportion of imported pulp consumed by industry will further increase to at least an average of about 50 per cent in the future as the manufacturers of indigenous yarn have indicated drastic cut in supplies for viscose filament yarn spinners. The position is further complicated by the fact that the supply of pulp in sheet form is available only from South India Viscose since Gwalior Rayons are manufacturing pulp at their Harihar plant only in the form of crumbs which cannot be utilised by spinning units which have not installed the slurry process.

Period	Consumption of imported pulp	Consumption of indigenous pulp
January-March 1977	27.77%	72.25%
April-June 1977	25.17%	74.83%
July-September 1977	30.23%	69.77%

In these circumstances, the heavy duty of 45 per cent *ad valorem* payable in imports of rayon grade wood-pulp, which is the basic raw material for the manufacture of viscose filament yarn, has proved to be increasingly excessive impost on the spinners. Although the c.i.f. prices of imported pulp are lower than the ex-factory selling prices of imported pulp to the viscose filament yarn manufacturers, it is higher by approximately Rs 1,034 per tonne than the price of indigenous pulp because of heavy customs duty. The utilization ratio of pulp the manufacture of viscose filament yarn is 1.1 kg of pulp to 1 kg of yarn and, therefore, the higher price of imported pulp leads to an increase in cost of production by Rs 1.14 per kg which the industry is unable to absorb. This is particularly so because of the government's policy of permitting unlimited duty-free imports of viscose filament yarn. It is therefore necessary that the cost of production of indigenous viscose filament yarn is reduced to the maximum extent possible so as to protect the interests of

Imports of Man-Made Fibres into India

(Thousand Kgs)

	Yarn				Staple				Total (yarn and staple)
	Cellulosic yarn			Non-cellulosic yarn	Cellulosic	Non-cellulosic staple fibre			
	Cupramonium rayon yarn	Viscose filament yarn	Acetate filament yarn	Filament yarn*	Viscose acetate staple fibre	Nylon staple fibre	Polyester staple fibre	Acrylic, polypropylene, P.V.A., P.V.C. etc.	
1962	3437	8835	1332	3628	18	69	72	1199	18627
1967	17	4	6	3750	13	510	346	1014	5660
1970-71	..	..	..	3771	10059	117	3098	1747	18792
1971-72	..	..	..	4889	4026	113	3028	1944	14000
1972-73	..	28	..	3233	1459	531	2566	3499	11316
1973-74	..	..	12	2348	344	325	637	1646	5312
1974-75	..	4	16	4351	89	151	327	1140	6078
1975-76	3	232	4	5229	102	356	541	3754	10212

*Includes, nylon, acrylic, polyester, polypropeylene, PVC and PVA filament yarn etc.

Wholesale Prices in India

Index Numbers

(Base 1961=62=100

Year	Cotton yarn	Rayon yarn	Cotton cloth (mill-made)	Cloth (hand-loom)	Silk and ra- rayon manu factures
1962	106·4	98·5	101·6	103·6	106·3
1970	162·2	105·5	135·0	154·3	116·7
1971	203·3	119·5	153·9	175·8	124·4
1972	206·2	130·7	161·3	172·9	129·5
1973	225·4	194·7	176·8	N.A.	146·5
1974	274·2	225·6	217·2	N.A.	174·2
1975	235·9	177·1	236·4	N·A.	166·5
1976	270·23	177·9	240·2	N.A.	161·2

the indigenous industry from the unfair competition of imported yarn. Moreover the spinners will not be able to remain committed to supply export replenishment yarn to exporters of rayon textiles at the concessional price which is much below the industry's cost of production and the prevailing international prices if they are not compensated to some extent for the sharp decline in the market prices of their product, thanks to the competition from duty-free imports of viscose filament yarn, by being relieved of the heavy customs duty burden on wood pulp.

Fiscal burden on Rayon Yarn

The central budget for 1975-76 shifted the burden of excise duty on art silk fabrics from the fabric stage to the yarn stage on the ground that the collection of revenue at the yarn stage would be administratively easier and more effective. This change in policy however resulted in an increae as high as 40 per cent in the excise duty on viscose filament yarn. This works out to Rs 3.35 per kg in the case of the popular 120 denier. The government's intention was that the spinners should pass on the increase in the duty to the weaving industry by charging higher prices for yarn. This shifting of the incidence of the higher excise duty, however, could not be effected because of the sluggish market conditions for yarn. The spinners in other words have had to bear the burden of the change in the scheme of the excise duty. This has aggravated the decline in the profitability of the viscose filament yarn industry, which is also simultaneously being affected by increases in its cost of production.

Incidentally, the shifting of the excise duty from the fabric stage to the yarn stage suffers from the defect that it nullifies the advantage of excise tax exemption which the handloom manufacturers of art silk fabrics have be enjoying before. Textile mills are n using any viscose filament yarn exce for ornamental purposes like saree bor etc. Ancillary industries like hosie knitting, embroidery, cotton textile mil manufacturers of elastic tapes, ribbo gas mantles, shoe laces, carpets et among themselves take up only 12 p cent of the total production of rayo yarn. The powerlooms, which are t main consumers, take up 72 per cent ar the handlooms 18 per cent. To th

Profitability Ratios**

	Gross profits as percentage of sales*		Gross profits as percentage of total net assets†		Profits after tax as percentage of net worth.		No. of companies covered under the study	
	Silk and rayon textiles	All Industries	Silk and rayon textiles	All industries	Silk and rayon textiles	All industries	Silk rayon textiles	All industries
1965-66	19·2	10·7	17·6	10·1	14·3	8·9	16	1501
1969-70	20·8	9·6	18·1	9·6	17·7	9·5	16	1501
1970-71	18·7	11·9	21·0	12·4	16·5	14·1	16	1246
1971-72	16·4	11·6	18·2	12·3	14·3	13·2	16	1253
1972-73	15·6	10·8	17·8	12·3	14·3	13·2	16	1262
1973-74	19·0	11·8	21·2	13·0	16·5	14·8	16	1296

*Net of rebate and discount and excise duty and cess.

**Based on the Reserve Bank study of selected medium and large non-financial, non-governmental public limited companies each with a paid-up capital of Rs 5 lakhs and above.

†Excluding intangible and miscellaneous non-current assets.

extent that spinners may be able to pass on to the weavers a part of the burden of the higher excise duty on yarn when market conditions are normal, the handloom industry will lose the perference it had been enjoying against the powerlooms in the form of exemption from excise duty on fabrics which was available to it before the shifting of the duty from the fabric stage to the yarn stage.

The prevailing scheme of taxation of viscose filament yarn goes against the government's multi-fibre policy of encouraging the manufacture of man-made or blended textiles with a view to relieving the pressure on raw cotton. The rate of excise duty on different deniers of viscose filament yarn is from 2 to 28 times higher than the corresponding counts of cotton yarn. In the case of the popular 120 denier, the duty is four times higher than the corresponding count of cotton yarn. The burden of excise duty on ex-factory price realisation on 120 denier viscose filament yarn is about four to eight times that of the incidence on comparable cotton on 40 count. The aggragate incidence of import duties and other taxes on raw materials used in the manufacture of rayon yarn, combined with the excise duty, works out to Rs 9 per kg or 38.72 per cent of the average price realisation. As against this, the incidence of taxation on comparable 40s cotton yarn is 10.2 per cent of the average realisation. This wide disparity in the incidence of excise duties in the rayon industry and the cotton textile industry is an outstanding illustration of the observation made by the Jha Committee on Indirect Taxes that the man-made fibre industry has been discriminated against on untenable grounds. This disparity is further enhanced by the fact that, in the case of cotton yarn in hanks, there is no excise duty, whereas rayon yarn in hanks and cakes is subjected to excise duty even though both are consumed by the handloom sector for the manufacture of low-priced fabrics used by the common man.

Profit Allocation Ratios

	Tax provision as % of profits before tax		Dividends as % of profit before tax		Profits retained as % of profits before tax	
	Silk and rayon textiles	All industries	Silk and rayon textiles	All industries	Silk and rayon textiles	All industries
1965-66	53·6	50·0	22·9	31·4	23·5	18·6
1969-70	43·2	43·7	18·3	32·2	38·5	24·2
1970-71	53·1	38·8	19·5	25·8	27·4	35·4
1971-72	49·3	41·3	24·9	25·5	25·8	33·1
1972-73	49·7	42·6	25·6	25·6	24·7	31·8
1973-74	55·1	43·4	14·6	19·2	30·2	37·4

The fiscal discrimination practised against rayon yarn is clearly difficult to defend because rayon is a versatile fibre, which is also the cheapest among the family of man-made fibres. It is therefore admirably suited for substitution for or supplementing cotton fabrics in mass consumption textiles. Once the incidence of the excise duty on rayon fabrics, which works out to about 83 paise per metre as against 25 paise per metre for cotton fabrics, is brought down to more rational levels, the genuine demand for rayon textiles is bound to come to the surface and help to establish rayon fabrics in their legittimate place in the textile economy. The Association of Man-Made Fibre Industry has therefore represented to the government that the existing rate of Rs 6.60 per kg for 120 denier yarn should be reduced to Rs 1.20 per kg which is the duty on the comparable count of 40s cotton yarn and that rayon filament yarn in hanks and cakes, which is being consumed by the handloom industry, should be given the complete exemption from excise

India's Exports of Man-Made Fabrics (Assortment-wise)

(Rs. crores)

	1965		1970		1971-72		1972-73		1973-74		1974-75		1975-76		1976-77	
	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%	Value	%
Filament rayon	2·29	53·7	2·30	53·8	4·51	60·21	5·59	58·17	17·17	61·50	9·41	51·42	9·60	63·41	18·18	57·73
Spun rayon	0.48	11·2	0·31	7·3	0·41	5·47	0·21	2·19	3·50	12·54	1·39	7·60	0·85	5·61	1·81	5·75
Synthetic fabrics	1·18	27·6	0·64	15·0	2·49	33·24	3·78	39·33	6·75	24·17	6·90	6·90	4·19	27·68	8 07	25·63
Mixed fabrics	0·32	7·5	1·02	23·9	0·08	1·08	0·03	0·31	0·50	1·79	0·60	3·28	0·50	3·30	3·43	10·89
Total	4·27	100·00	4·27	100·00	7·49	100·00	9·61	100·00	27·92	100·00	18 30	100·00	15·14	100·00	31·49	100·00

duty which is now enjoyed by cotton yarn in hanks. The association has also pointed out that the scheme of excise duty relief for encouraging higher production of certain select commodities, by redueing by 25 per cent the duty payable on goods produced in excess of production in a select basic period, should be extended to rayon yarn. This scheme applies already to certain sectors of the man-made fibre industry, viz., staple fibre and tyre cord yarn.

Denier-wise differentials

In the case of deniers finer than 120, the the yarn has to be spun at lower speeds for various reasons, such as the low tensile strength of the filament and the longer time taken for the regeneration of cellulose to maintain the same grams/denier tensile strength. The cost of spinning finer deniers is therefore higher than the cost of spinning 120 denier.

For yarns finer than 120 denier, the cone winding has to be carried out at lower speeds. The weight and size of the package has to be kept smaller and hence the cost of winding is higher than that of 120 denier.

For spinning coarser than 120 denier, the spinning speeds have to be lowered because of optimum doffing time, cake size and higher pollution due to more regeneration of cellulose in a given time. In the case of cone winding of coarser deniers, the number of winding spindles allocated per worker will have to be drastically reduced since more yarn in weight would be wound by a unit of time.

Yarns in 30, 40, 55 and 60 deniers are packed in 1.1 kg cone size of 50 kgs per case, whereas yarns above 60 deniers are packed in 2.1 kgs cone size in 100 kgs per case. The cost of packing is therefore higher for finer deniers than
coarser deniers.

Estimated Average Prices of Non-Co
Textiles in the Urban and Rural A
During 1974, 1975 and 1976

(Price per metre in ru

Area	1974	1975	
Urban	18.89	25.41	2
Rural	12.63	16.31	1
All India	14.68	19.61	2

The percentage of reject quality
duction is much higher in the cas
finer deniers and this part of the ou
is sold at a very low price. Theref
while computing the prices for first qua
yarns of various deniers, the lo
incurred on the sale of reject qua
yarn should be taken into account o
and above the inferior quality all
ance.

The denierwise pattern of produc
varies from unit to unit depending u
various technical and capacity constra
The cost of manufacture of each de
varies therefore from unit to unit depe
ing upon the product mix. The aver
denier of the spinning units ranges f
80 to 136. There can therefore be
uniform formula for fixing denier-
price differentials for the industry
whole.

Mill Consumption of Fibres

(Thousand Tonnes)

Region	Cellulosic		Non-cellulosic	
	Thousand tonnes	Percentage to total	Thousand tonnes	Percentsge to total
		1970		
Developed countries	1982·3	56·0	3987·6	81·0
Centrally planned countries	1055·8	29·9	435·2	8·8
Developing countries	500·1	14·1	503·5	10·2
Of which : Asia and Far East	219·6	6·2	247·2	5 0
India	122·0	3·4	22·5	0·5
All countries	3538·2	100·0	4926·3	100·0
		1974		
Developed countries	1841·4	51·22	5683·0	72 86
Centrally planned countries	1247·6	34·70	1069·1	13·71
Developing countries	506·0	14·08	1047·7	13·43
Of which: Asia and Far East	210·2	5·85	430·9	5·52
India	137·2	3·82	27·9	0·36
All countries	3595·0	100	7799·8	100

Third largest producer

**India is the third largest producer of rayo
and acetate filaments in the world, the fir
two being the USSR and the US. Oth
large producers are the German Democrat
Republic, Brazil, Rumania and Japa
While production in Brazil, the Germa
Democratic Republic, India, Rumania a
the USSR, among the larger producers h
been steadily increasing, production in t
US has been coming down fast and in Japa
also there has been a significant declini
trend. Viscose filament yarn is also losi
ground in Belgium, Canada, France, We
Germany, Italy, the Netherlands and t
UK, whereas Chile, China, Finland, Kore
Turkey, Venezuela and Yugoslavia are i
creasing their production.**

Textile Purchases Per Household, Fibrewise, During 1976

(Q=Quantity in metres V=Value in rupees)

Fibre	Q	V
ALL INDIA LEVEL		
Cotton	71.20	349.31
Pure Silk	0.39	14.18
Art Silk	0.73	8.08
Woollen	0.33	12.45
Nylon	0.52	8.50
Synthetics	0.81	15.48
Non-cotton	2.78	58.69
Polyester-cotton	4.07	101.42
Polyester-wool	0.06	3.88
Other mixed	0.87	10.11
Mixed	5.00	115.41
Total	78.98	523.41
URBAN AREAS		
Cotton	65.27	407.20
Pure Silk	1.19	49.58
Art Silk	1.15	12.75
Woollen	0.67	28.74
Nylon	1.66	28.04
Synthetics	2.15	43.66
Non-cotton	6.82	167.77
Polyester-cotton	8.37	223.79
Polyester-wool	0.21	15.21
Other mixed	1.46	23.62
Mixed	10.04	262.62
Total	82.12	832.59
RURAL AREAS		
Cotton	72.80	332.91
Pure Silk	0.19	4.64
Art Silk	0.61	6.80
Woollen	0.25	8.06
Nylon	0.21	3.21
Synthetics	0.46	7.82
Non-cotton	1.72	30.53
Polyester-cotton	2.91	68.02
Polyester-wool	0.01	0.82
Other mixed	0.71	6.42
Mixed	3.63	75.26
Total	78.15	438.70

Source: Sample Survey of Textiles Committee

Estimated Per Capita Consumption of Textiles, Fibrewise, During 1976

(Q=Quantity in metres V=Value in rupees)

Fibre	Q	V
ALL INDIA LEVEL		
Cotton	10.79	52.93
Pure Silk	0.06	2.15
Art Silk	0.11	1.22
Woollen	0.05	1.89
Nylon	0.08	1.29
Polyester and other synthetics	0.12	2.34
Non-cotton	0.42	8.89
Polyester-cotton	0.62	15.37
Polyester-wool	0.01	0.59
Other mixed	0.13	1.53
Mixed	0.76	17.49
Total	11.97	79.31
URBAN AREAS		
Cotton	10.21	63.72
Pure Silk	0.12	7.76
Art Silk	0.18	1.99
Woollen	0.11	4.50
Nylon	0.26	4.39
Polyester and other synthetics	0.34	6.83
Non-cotton	1.07	25.47
Polyester-cotton	1.31	35.02
Polyester-wool	0.03	2.38
Other mixed	0.23	3.70
Mixed	1.57	41.10
Total	12.85	130.29
RURAL AREAS		
Cotton	10.95	50.06
Pure Silk	0.03	0.70
Art Silk	0.08	1.02
Woollen	0.04	1.21
Nylon	0.04	0.48
Polyester and other synthetics	0.07	1.18
Non-cotton	0.26	4.59
Polyester-cotton	0.44	10.23
Polyester-wool	Neg	0.12
Other mixed	0.11	0.97
Mixed	0.55	11.32
Total	11.76	65.97

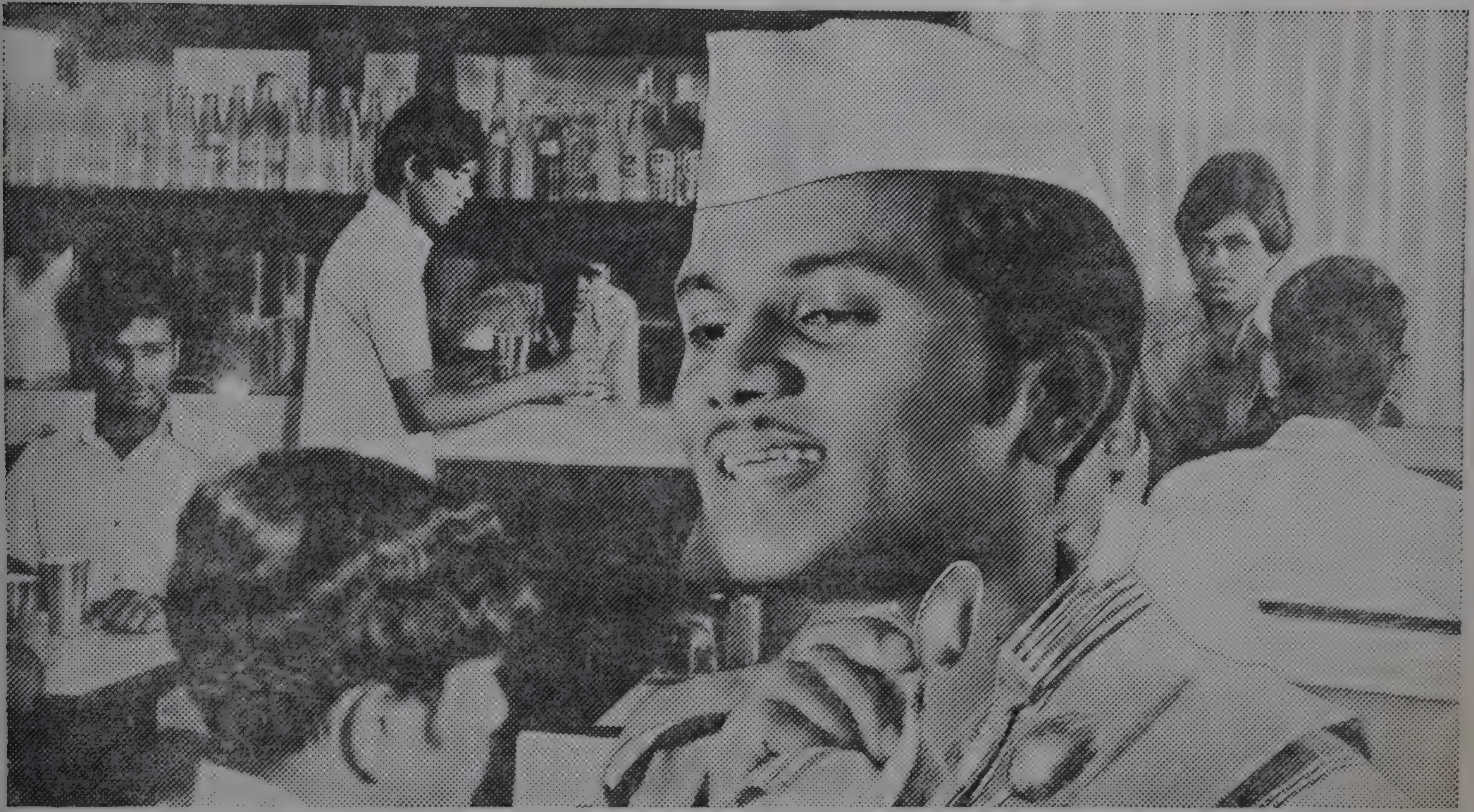
Source: Sample Survey of Textiles Committee

Percentage Distribution of Textile Purchases in Quantitative Terms According to Fibres at Different Income Levels During 1974, 1975 and 1976

Income group Rs	Year	Cotton	Non-cotton	Mixed
ALL-INDIA LEVEL				
Less than 1500	1974	91.79	3.21	5.00
	1975	94.45	2.51	3.04
	1976	96.13	1.50	2.37
1500-2999	1974	91.57	3.45	4.98
	1975	93.04	2.46	4.50
	1976	94.72	1.71	3.57
3000-5999	1974	87.96	5.34	6.70
	1975	88.61	4.26	7.13
	1976	91.05	3.28	5.67
6000-9999	1974	84.04	6.86	9.10
	1975	84.89	6.03	9.08
	1976	86.20	4.58	9.22
10000-19999	1974	80.77	7.01	12.22
	1975	84.03	6.49	9.49
	1976	82.25	6.48	11.27
20000 and above	1974	70.72	16.77	12.51
	1975	74.15	10.75	15.10
	1976	74.88	11.99	13.13
Average	1974	86.98	5.63	7.39
	1975	88.10	4.62	7.28
	1976	90.15	3.52	6.33
RURAL AREAS				
Less than 1500	1974	91.88	3.29	4.83
	1975	94.68	2.45	2.87
	1976	96.50	1.30	2.20
1500-2999	1974	92.06	3.34	4.60
	1975	93.64	2.15	4.21
	1976	95.54	1.32	3.14
3000-5999	1974	89.42	4.77	5.81
	1975	89.98	3.67	6.35
	1976	92.89	2.46	4.65
6000-9999	1974	86.44	5.60	7.96
	1975	87.51	4.77	7.72
	1976	89.88	2.96	7.16
10000-19999	1974	84.52	4.47	11.01
	1975	89.46	3.84	6.70
	1976	89.96	2.93	7.11
20000 and above	1974	76.14	14.14	9.72
	1975	79.92	6.63	13.45
	1976	88.25	4.95	6.80
Average	1974	89.06	4.62	6.32
	1975	90.63	3.47	5.90
	1976	93.15	2.20	4.65
URBAN AREAS				
Less than 1500	1974	90.61	2.31	7.08
	1975	89.96	3.22	6.82
	1676	91.55	4.15	4.30
1500-2999	1974	87.22	4.40	8.38
	1975	88.80	4.36	6.84
	1976	88.53	4.65	6.82
3000-5999	1974	80.23	8.33	11.44
	1975	82.45	6.66	10.89
	1976	83.82	6.48	9.70
6000-9999	1974	75.54	11.30	13.16
	1975	77.15	9.55	13.30
	1976	76.58	8.81	14.61
10000-19999	1974	72.60	12.53	14.87
	1975	75.61	10.43	13.96
	1976	72.61	10.92	16.47
20000 and above	1974	65.61	19.25	15.14
	1975	71.43	12.55	16.02
	1976	67.00	16.13	16.87
Average	1974	77.40	10.29	12.31
	1975	79.17	8·59	12.24
	1976	79.47	8.30	12.23

Source : Sample Survey of Textiles Committee

"Alu-matar–Alu-gobi–Dal-fry"



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MOVING FINGER

Whatever else Mrs Gandhi may have achieved by splitting the Congress, or failed to, she seems to have succeeded in converting the Janata party into a garbage collector. By opening its doors to Mr K. Raghuramaiah, the party leadership has shown itself to be second to no other political coterie or caucus in the country in making a philosophy of cynicism or a practice of opportunism. It is to be expected, presumably, that other unclean and unlovely characters, such as Mr B.R. Bhagat, will also be allowed to sneak in before long. I suppose it just does not matter to Mr Chandra Shekhar and the rest in the Janata high command that Mr K. Raghuramaiah (as the minister for Parliamentary Affairs) and Mr B.R. Bhagat (as the Speaker), between themselves, had overseen the compulsory sterilization of the Lok Sabha during the emergency under "orders from above." Mr Raghuramaiah, not to speak of Mr Bhagat, has of course other claims to fame, as Mr M.O. Mathai testifies :

> In the mid-fifties a minister of state foolishly got into trouble. He was sent as a delegate to the UN General Assembly. A rich man, and a married man with children, he took with him a youngish woman and stayed in hotels in New York, London and Paris, entering their names as "Mr and Mrs" in order to stay together in the same rooms. Much later the woman arrived at the residence of the minister in New Delhi with her baggage and demanded the right to stay there even as a servant—much to the embarrassment of the minister and his wife. She was thrown out; but she managed to get a room in Western Court. She met many important people and registered her complaint with them. Finally, she waylaid the PM as he and I were going home from the office. She mumbled something to the PM. While driving home, the PM asked me to send for the minister and talk to him.
>
> I rang up the minister and he came in the afternoon to my office. It was a Saturday when parliament was not in session. He confessed to everything. I gave him a piece of paper and asked him to write out his resignation from the Council of Ministers addressed to the PM. As I dictated slowly, he wrote, "I hereby tender my resignation from the Council of Ministers for personal reasons. I shall be grateful if you will be good enough to forward it to the President for his acceptance". I asked the minister to see me on Monday morning in my office in Parliament House with a common friend, U.S. Malliah, MP, who was aware of the incident. They met me as suggested. I told the minister that where hormones were concerned I had no right to pass judgment on anyone; but I added, "You have committed the inconceivable folly of entering your name and that of the woman in hotel registers everywhere as "Mr and Mrs". Some people have egged her on and sent her to Delhi to blackmail you. I suggest that you buy her silence. Your good friend Malliah, I am sure, will succeed in persuading her to quietly go away from Delhi. Malliah should decide the amount to be given to her. Malliah decreed that, considering the minister's financial position, he should give her Rs 50,000. This was done within two days, and the woman left Delhi quietly.
>
> Later, I gave the PM all the facts and the letter of resignation of the minister. The PM thought over the matter for a couple of days and decided not to accept the resignation. And the minister survived and prospered. He became a Cabinet minister in the Indira regime during which he proved to be the most servile of ministers. He was the first to take the little boy Sanjay around in his state, launching him into politics. At a public meeting organized at government expense, the minister stood up on his haunches and said something very profound, 'I have slaved for your grandfather and your mother, and I shall slave for you'. I do not know for whom he is slaving now.

Now that J. Paul Getty is gone and Howard Hughes is also no more and the number of known billionaire in the US has been reduced to two, with the recent passing away of another of that tribe, who is the richest man in the world ? One answer is Mr Mohammad Mahdi Al-Tajir, who happens to be the ambassador to Britain from the United Arab Emirates. This, however, is not his most important job.

Mr Al-Tajir is Adviser on Petroleum Affairs to the UAE besides being the Head of the Office of the Ruler of Dubai. While these jobs bring him prestige, the money comes from a far-flung business empire embracing banking, properties, insurance and contracting. The Al-Tajir establishment, it is claimed, owns more shares in western oil companies than any other private enterprise. Rather interesting is the information that the origin of all this wealth is to be found in the gold smuggling between Europe and India through Dubai port, which gave Mr Al-Tajir his first million. Today he is in a position to say that he has never bothered to count what he has and that he knows only that he has money "in billions of pounds—much more than any one's published estimation".

There is one tenet of the Al-Tajir philosophy which appeals to me greatly. "A sign of wealth, true wealth," he says, "is how many other people you have helped to become wealthy. That is what matters and that is what business is all about. I am a businessman, and I am a rich man. How many friends I have made—how many I have made wealthy—is what is important to me". My favourite quote, however, is this : "Scandal doesn't bother me. When I read that Boeing has bribed me with this or Lockheed has bribed me with that, I am not worried and other people who are important to me know that neither Boeing nor Lockheed has enough money to bribe me.........I am a businessman and if I want to charge anyone for my services, I will. I represent many international firms in the world and I have charged them all for my services. I do not get my money from heaven".

I am one of those who has a certain curiosity about the possible editorial consequences of the management revolution which has taken place in *The Hindu*. It is widely expected or at least suspected that this newspaper's policy will shift to the left. I myself am inclined to believe that there is not much chance of *The Hindu* becoming anything like a communist mouthpiece. My reasoning is simple. *The Hindu* has a tradition of commercialism which is strong enough to quell any impetuous intrusion of ideological passions or political principles. It is possible of course that there may be a slight tilt to left-of-centre, but *The Hindu's* feet should remain firmly rooted to the market place.

Meanwhile this newspaper has been brightening up a good deal and the Weekly Magazine section is often rewarding, sometimes unwittingly, as was the case with this caption to a learned article on auto-urine therapy in a recent issue : "The water of life down the centuries". The proper phrase for the water of life, I should have thought, is "down the drain".

VB

TRADE WINDS

World Bank Loan for Industry

THE WORLD Bank has announced on January 17, the approval of a loan of US$ 25 million to assist industrial development in India in the state-sponsored public and joint sector. The loan, to be channeled through the Industrial Development Bank of India (IDBI)—a development finance institution—will meet the foreign exchange cost of investments in productive medium-scale industrial enterprises. The IDBI is the largest single institutional source of industrial finance in India, accounting for approximately five per cent of the annual industrial investment. It is also responsible for coordinating industrial investment activities of other industrial finance institutions.

The bank loan will assist IDBI in carrying out industrial sector investment studies, and in strengthening industrial finance institutions in various states. It will also enable IDBI to promote projects particularly in the less developed states in India. A major benefit will be the pooling of private and public capital and in establishing close working links between public and private sector partners.

The loan complements previous operations of the bank in support of the Industrial Credit and Investment Corporation of India and, through IDBI, the state financial corporations. The bank loan to India will carry interest at the rate of 7.45 per cent per annum, it will be for a maximum of 17 years, including three years grace, to be adjusted according to the amortization schedule of sub-projects. The government will relend the proceeds to IDBI on the same terms.

Small-Scale Sector

The World Bank has renewed its 1976 offer to finance the development of the small-scale, cottage and rural industries. The renewal is necessitated as till today not even a single project in the small scale sector has been proposed to the Bank. Only a credit of $100 million has been disbursed through the IDBI for financing of the small units. To take advantage of the offer, the ministry of Finance has sent directives to all concerned small industries development departments both at the state and central levels to prepare projects which could be proposed to the Bank. The ministry is very hopeful that if not in the current tranche, in the next credit line beginning in June 1978, a number of projects would be sent to the Bank.

These sources state that under the renewed emphasis on the small, cottage and rural industries, next to the power sector, highest priority would be given to the small-scale sector for the utilisation of the bank credit. These sources further state that the bank is very keen that some projects should be taken up even during the current tranche. The Bank had changed its policy in 1976 to divert its funds to the development of the rural and cottage industries. It had felt that the agricultural development was co-related to the growth of the small village level industries.

Civil Engineering Contracts Abroad

In view of the greater significance assumed by construction contracts abroad, the Reserve Bank of India thought it useful to frame suitable guidelines for the benefit of contractors intending to undertake overseas construction contracts. For this purpose, a sub-group comprising senior representatives of government of India, RBI, IDBI, ECGC and FEDAI was set up by the RBI Standing Committee on Export Finance. A booklet containing such guidelines has since been published by the RBI. The booklet, priced at Rs 7, contains useful information regarding the various facilities available to contractors from RBI, financial institutions and ECGC and formalities required to be observed by the contractors. A chapter has also been included in the booklet on the export of consultancy services.

Rubber Board

The Commerce ministry has appointed 16 members to the Rubber Board for a period of three years. The names of members are: Mr P.G. Muraleedharan, agricultural production commissioner, government of Kerala and Mr P.J. Joseph Kunju (nominated by the Kerala government); Mr T. Yeyadev, chief conservator forests, government of Tamil Nadu (nominated by the Ta Nadu government); Mr Sitaraman, Mr K. Jos Monipalli, Indian Rub Growers' Association, Coc and Mr V.K. Muhamad Ku (nominated by the cent government to represent sm growers of Kerala); Mr C Desai of Premier Tyres Lt and Mr B.B. Sangtani of A Rubber Products, both Bombay (nominated by central government to rep sent rubber manufacturer Mr M.M. Jacob of Kera State Co-operative Rubb Marketing Federation, S.V. Sarma of Travanco Rubber and Tea Co., Mr R. Ketkar of Sudhagad Rubb Industry, Bombay, and P.R. Balasubramanian North Eastern Council, Sh long (nominated by th central government to repre ent other interests); Mr K. Joseph of South Indian Plan ations; Mr K. Jacob Thom of Vaniampara Rubber C and Mr M.D. Joseph (electe by the larger growers i Kerala); and Mr S. Subra manian of Travancore Rubbe Co. (elected by the larger gro wers in Tamil Nadu).

Indo-Soviet Trade

The turnover of trad between India and the Sovie Union in 1978 is expected to b Rs 1056 crores compared to th expected turnover of Rs 90 crores in 1977. The trade pro tocol for the year was initialle recently by Mr M. A. Kiselev chief of Asian division, Sovie ministry of Foreign Trade an Mr Suresh Kumar, join secretary, ministry of Commerce. It will be signed at the level of secretaries later. The protocol was finalised at the conclusion of the visit of the Soviet trade delegation headed by Mr Kiselev. An officia ress release stated that talks etween the trade delegations f the two countries were held a "cordial atmosphere of iendship and cooperation. he leader of the Soviet delegaon also called on Mr Mohan Dharia, minister of Commerce nd Civil Supplies. On the import side are included imporant raw material such as crude il to the extent of 1.5 million onnes, kerosene and diesel oil rea, muriate of potash, chemials, DDT, sulphur and a umber of non-ferrous metals uch as, zinc, nickel, platinum, nd palladium and other prolucts like cotton, asbestos and ewsprint machinery and quipment, including compoents raw materials, and spare-parts for the Soviet assisted projects in India.

Import Policy

The government has announced certain important amendments in the current year's import policy for registered exporters. While it has been decided to allow 60 per cent import replenishment on exports of potasium iodide B.P. in the case of exports of automobile tyres and tubes (excluding tubes of butyl rubber), import replenishment has been revised. Besides, provisions relating to import of materials by nominee-manufacturers have been amended. While in the case of exports of tyres with nylon cord, the import replenishment will be 40 per cent in respect of others but excluding automobile tubes of butyl rubber, it will be 30 per cent. It has also been decided to include commutators for DC motors up to 1 HP and mutton tallow in the list of items which can be imported against replenishment licences for a total value not exceeding 10 per cent of the value of the licence subject to a maximum of Rs one lakh. Provisions regarding import of raw materials, components, consumer stores and packing materials by nominee-manufacturers who are not the manufacturers of the exported product have been amended.

Provident Fund Interest Raised

The central government has raised the rate of interest on the general provident fund deposits of its employees by half per cent. The interest on deposits up to Rs 25,000 has been raised from 7½ per cent to eight per cent and on deposits of more than Rs 25,000 from seven per cent to 7½ per cent. In addition, a bonus of one per cent, would accrue on the entire balance if no withdrawal is made for five years. The total deposits in this account are more than Rs 1,693 crores. The government has also increased the rate of interest on public provident fund balances —from seven per cent to 7½ per cent from the current financial year. This scheme is meant for self-employed persons and the deposits are repayable after 15 years. The balance on this account totalled Rs 44 crores on April 1.

Banking Facilities at Educational Centres

In pursuance of the Punjab & Sind Bank's policy of providing banking facilities at educational institutions on the one hand and providing employment to women on the other, a new extension counter of the bank manned by women was opened at Mata Jai Kaur Public School, Ashok Vihar in New Delhi. Inaugurating the extension counter, Dr Inderjit Singh, chairman of the bank, stated that besides women who get suitable employment, a large number of students, their guardians and educational authorities would be benefited by the bank's new scheme. By taking banking to the doorsteps of the student and teacher communities, the bank was endeavouring to inculcate saving habits amongst them. Extension counters opened by the bank at various schools and colleges in Delhi, Chandigarh, Punjab, Maharashtra and Rajasthan were playing a significant role in the educational sphere. More counters would be opened in other states in near future.

Experts Panel to CBE&C Labs

A committee of experts will be set up to review the working of the laboratories under the Central Board of Excise and Customs. It will advise the government on the adequacy or otherwise of the available testing facilities, procedures and frequency of sampling and other related matters. The committee is expected to submit its report within six months, minister of state for Finance, Satish Agarwal told the central advisory council for customs and excise.

Retention Prices

The system of retention prices for each product and for each refinery has been introduced with effect from December 16, 1977 on the basis of the latest cost data available, including a revised pool price of crude oil and norms and parameters worked out by the Oil Prices Committee. In calculating the retention prices, a return of 15 per cent (gross) on the total capital employed (income tax depreciated net fixed assets plus working capital) has been allowed.

In its interim report, OPC with regard to the oil marketing companies had employed the traditional method of the weighted average of the marketing and distribution costs of the major units to determine the marketing and distribution margins for the industry as data was not available at that

Publication of the Department of Company Affairs,
New Delhi.

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time. In the final report, the OPC has recommended that the concept of retention margins being allowed for refinery companies should be extended to the marketing operations as well. The government has accepted this recommendation.

The retention marketing margins for each product for the individual oil companies have been worked out after taking into account their latest cost and other operating data. The weighted average has been included in the price build up so that price to consumers would be uniform whether sold by one company to another, and the difference between retention margins due to each individual oil company and those included in the price of petroleum products would be adjusted through the pool accounts.

Norwegian Assistance for Family Welfare

The Norwegian ambassador Mr Per Gulowsen presented recently a cheque for Rs 2.5 crores as his country's assistance for the all India hospitals post partum programme. Mrs Serla Grewal, additional secretary and Commissioner (Family Welfare) in the ministry of Health and Family Welfare, received the cheque and thanked the ambassador. The all India hospitals post partum programme which is a maternity-centred approach to family welfare programme has been in operation in various medical institutions in the country since 1969-70. As on March 31, 1977, the programme covered 449 institutions of which 181 are of A-type (hospitals handling 3,000 or more obstetric and abortion cases annually or teaching institutions), 74 B-type institutions (hospitals handling less than 3,000 but more than 1,500 obstetric and abortion cases annually) and 194 C-type institutious handling 1,500 or less abstetric and abortion cases annually, including 102 medical colleges and two post-graduate institutions which have been covered under the post partum programme.

Paper Prices

The government has threatened to impose price control on important varieties of paper, unless the paper industry revokes its decision to voluntarily jack-up paper prices from January 5, 1978. Indicating this recently a spokesman of the Industry ministry stated that if the paper industry does not change its attitude, the "government will come down with a heavy hand in restricting the production of some varieties of paper by the mills, the percentage to be produced in each variety and a general price control. He said that the government had also proposed to discuss with the industry its tactics of "postponing the supplies of promised quantities of paper to the institutions and department of supplies." It was also pointed out that the government has been taking all necessary steps to give relief to the paper industry in terms of central excise, raw materials supplies, power etc. in consultation with the state governments. Besides a liberal licencing policy is also being pursued so as to attract more investment in this sector.

The industry has pointed out that during the past three years, there has been a continuous rise in the cost of inputs like bamboo royalty, power, coal, chemicals, stores and wages. Moreover, the price of white printing paper which accounts for 30 per cent of the total production of nine lakh tonnes remained static at Rs 2,750 per tonne allowed in 1974. This price has no relevance to the present day costs. In view of vast disparity in the selling prices and the production costs, it will be in fitness of things that the government allowed a reasonable increase in prices so as to let the industry have a fair return on its investments.

It was at the last annual general meeting of the Indian Paper Makers' Association, the Industry minister, Mr George Fenandes, had admited that there was a case for an increase in the price of white printing paper, the industry stated. It is felt that there is a strong case for reduction in excise duty amounting to 25 to 30 per cent ad valorem on an essential commodity like paper with a view to ensuring interest of consumers.

Indigenous Crude Prices

The government has discontinued the principle of import parity as a basis for the pricing of indigenous crude oil and refined petroleum products. A price of Rs 41.44 per barrel of indigenous (onshore) crude oil of 34° API subject to gravity escalation and inclusive of increased royalty and the oil development cess, has been approved taking into account the data on the cost of production updated by Oil Prices Committee. The price of Rs 58.84 per barrel of indigenous (offshore) crude (Bombay High) has been approved inclusive of increased royalty of indigenous crude and the oil development cess.

The above decisions follow the recommendations made b
the Oil Prices Committee s
up under the Chairmansh
of Dr K.S. Krishnaswam
deputy governor of Reser
Bank of India to recommen
general principles of pricin
policy of petroleum produc
and on other connected ma
ters. The OPC submitted i
interim report in January 197
and its final report in Novem
ber 1976. The decisions o
various recommendations c
the OPC came into force fro
December 16, 1977. In ap
proving the prices of ind
genous (onshore) crude o
and indigenous (offshore) crud
oil, the government has kep
in view the facts that a size
able portion of the country'
requirements of crude oil an
deficit products, the prices c
which are rising, are still im
ported and that there is nee
to maintain the price line t
the maximum extent. It ha

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also been decided that fluctuations in the rate of dollar—rupee exchange would not affect the prices.

Improved Telecommunication

The Posts and Telegraphs department has added 38,000 direct exchange lines to its network during the period April 1, 1977 to September 30, 1977. 558 route kms of coaxial cable system and 735 route kms of microwave system were also laid during the period. New additions to the telecommunication system as given below were inducted into the network during the last six months : Addition of telephone capacity 25,000 lines, Telecom connections (Direct Exchange lines) added 38,000 lines, Trunk Automatic Exchanges 1, STD Routes (point to point) 5, Manual Trunk Boards 71, Coaxial Cable system 558 route kms, Microwave systems 735 route kms, Telegraph offices 112, Long Distance PCOs 157, Telex Exchanges 4, Telex connections 547.

The following two programmes to improve the communication services have been commenced during the last six months : (a) Check and overhaul of internal exchange equipment in all telephone systems in a phased manner; (b) to check and overhaul at least 50 per cent of subscribers telephone and fittings. Both the above works are in progress.

New Schemes

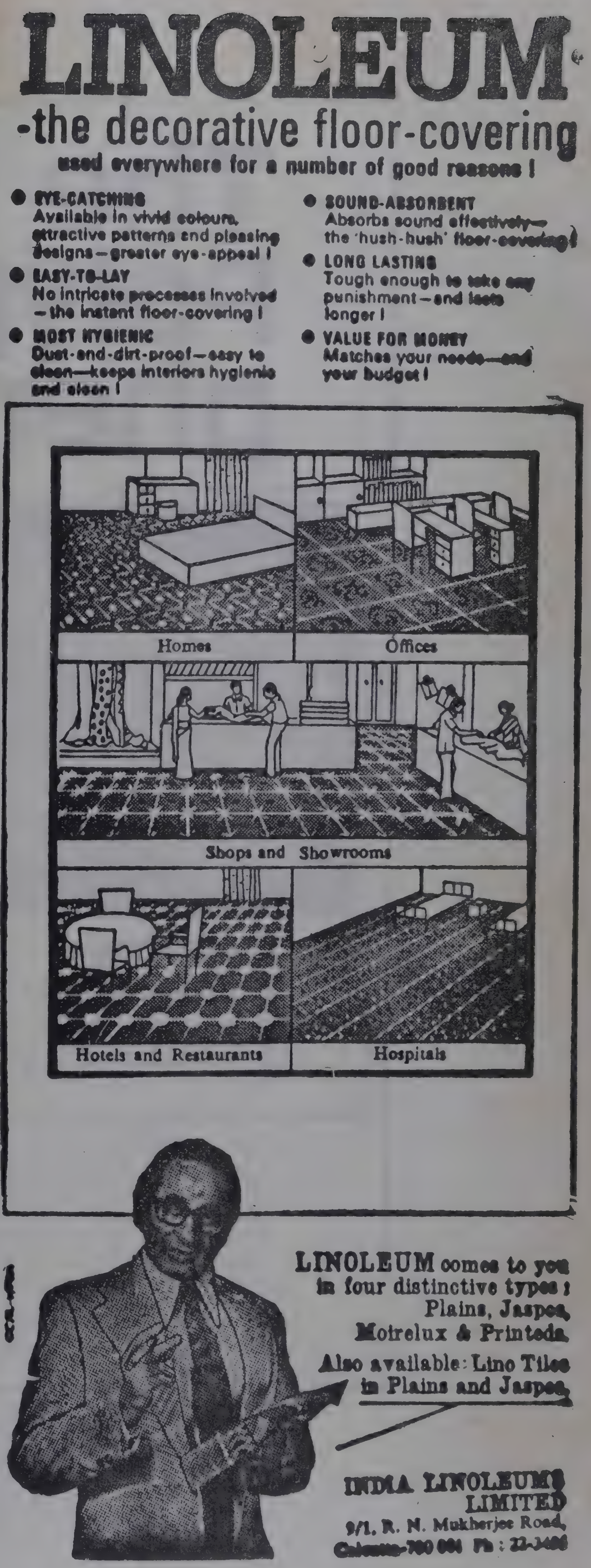
Postal schemes included the opening of more post offices and upgradation of a number of existing extra departmental branch post offices into departmental sub-offices. Installation of additional 100,000 letter boxes, covering of about 50,000 additional villages through mobile post offices, appointment of more agents sale of postage stamps and for postal stationery in villages, extension of daily delivery scheme to more villages in the country.

It is planned to undertake the following main development of telecom works during 1978-79 : Addition of telephone capacity 2.10 lakh lines; Telephone connections (Direct Exchange Lines) 1.92 lakh lines; Trunk Automatic Exchanges 3; STD routes (Point to point) 20; Manual trunk boards 662; Coaxial cable 2624 route kms; Microwave systems 3914 route kms., Telegraph offices 2300; Long Distance PCOs 2200; Telex Exchanges 41; Telex connections 1800. On the postal side also the programme is quite ambitious.

Names in the News

Mr S.N. Bhat, former director Finance, Railway Board, has taken over as Finance director of Oil India. Fifty-year-old Mr S.N. Bhat was Financial adviser and Financial controlller of OIL during 1969-72.

Mr S. N. Bhat



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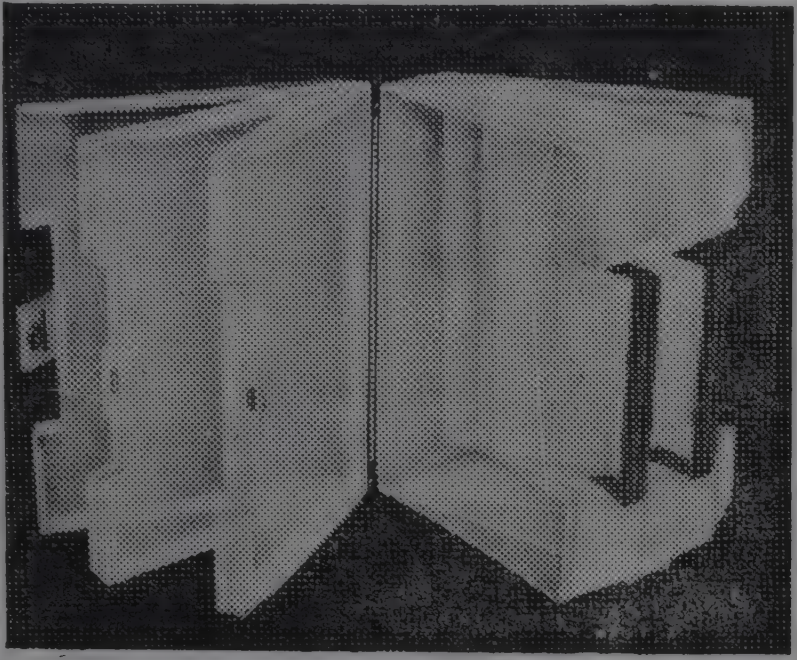
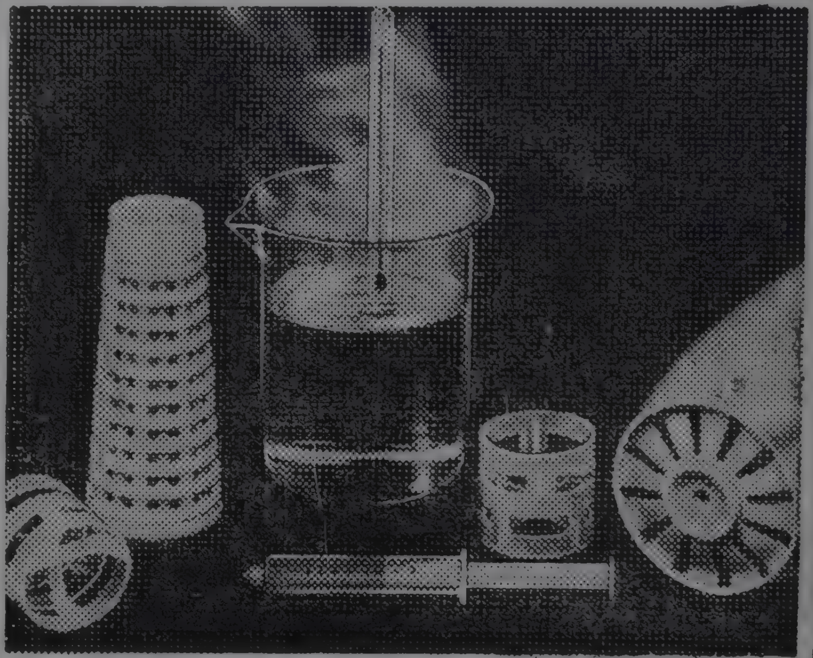


Unique hinge characteristics

Polypropylene integral hinges, actually strengthen with use and permit one-piece moulding of two parts.



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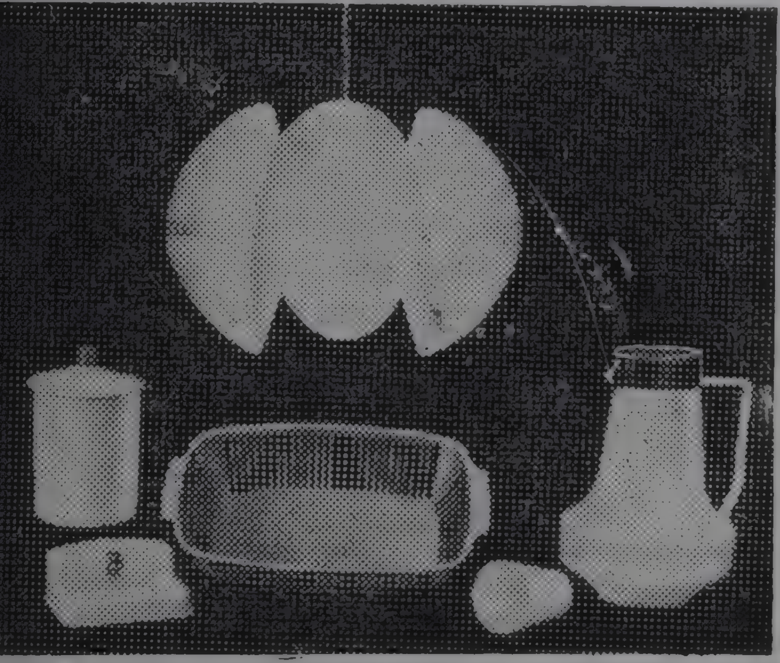

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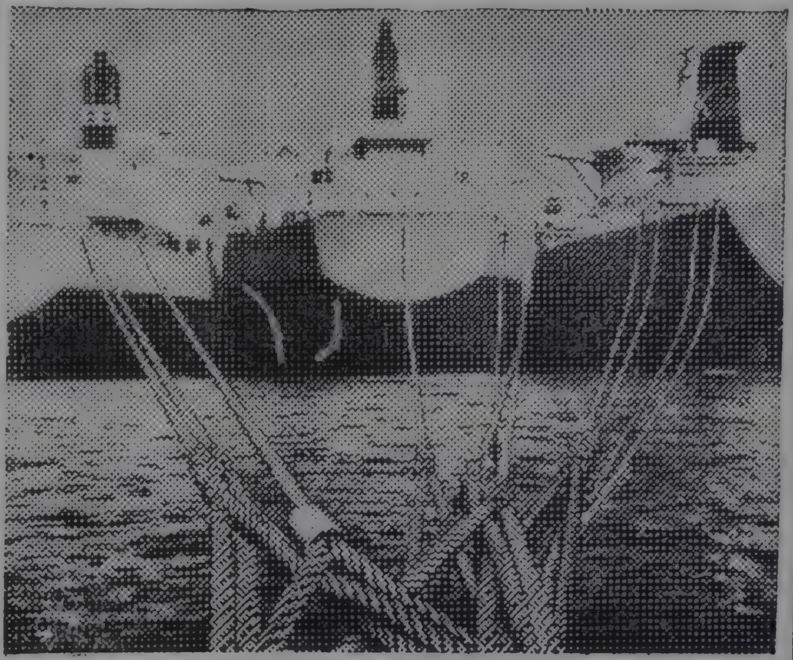

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COMPANY AFFAIRS

Delhi Cloth Mills

Dr Bharat Ram, chairman, the Delhi Cloth and General Mills Co Ltd stated at the annual general meeting recently that in spite of various appeals to to the government, no measures had been taken to improve the health of the textile industry. He hoped that the government would realise the importance of the textile industry in the total economy of the country and take steps to improve its viability. In this respect, he added there is a ray of hope in the industrial policy statement made by the minister of Industries, where he has mentioned that he would like to see that where there are price controls, the prices are reasonably remunerative. He indicated that the control of cloth prices has caused a great harm to the textile industry, though every effort was being made to improve the profitability of textile units.

Dr Bharat Ram stated that in other industries the company had done reasonably well. The new foundry has started commercial production. The product had been well received and he hoped that in times to come, this industry would contribute its share to the growth of the company.

Commenting on the recently announced industrial policy, he stated that no one could argue with the objectives of the policy. A large industry, a small scale industry and a cottage industry, all had a role to play. But these various sectors were somewhat interdependent. One, therefore, had to be very careful that no sector failed, otherwise shortages would continue. He asserted that quality should not suffer, particularly where either a medium scale or a small scale industry worked as an ancillary to other industries or where there was danger to health because of inadequate quality control.

The other important aspect which would need the government's attention, he said, was that if the small scale and cottage industries had to succeed, proper marketing has to be organised. The poor rate of growth in the past had been, in his opinion, not so much because of wrong policies in planning but very largely the failure had been in implementation. If the present policy failed, he warned, it would again be because of failure in implementation. It required detailed administrative planning and proper organisation for its success, he said.

Shriram Refrigeration

Shriram Refrigeration reported an increase in sales for the year ended September, 1977, from Rs 7.14 crores to Rs 9.32 crores. The company has, however, incurred a loss of Rs 18.51 lakhs against a loss of Rs 2.58 lakhs in the preceding year. After providing Rs 16.28 lakhs for depreciation and Rs 1.35 lakhs for investment allowance reserve, there is a debit balance of Rs 31.09 lakhs against Rs 20.16 lakhs in 1975-76. After transferring Rs 46.38 lakhs from general reserve and writing back Rs 1.05 lakhs from development rebate reserve, a debit amount of Rs 21.69 lakhs has been carried forward. Exports doubled to Rs 125.60 lakhs from Rs 63.34 lakhs.

The directors state that production of all the items except diesel engines improved during the year. The output of electric motors rose to 2,927 from 1,725, hermetic compressors to 25,747 from 13,708 and water coolers to 3,542 from 2,357, but that of diesel engines fell to 14,857 from 14,961. While the demand for compressors and water coolers showed improvement, diesel engines faced a difficult period because of increasing competition from small-scale units.

Consolidated Coffee

Mr M.A. Sreenivasan, chairman, Consolidated Coffee Ltd told the shareholders at the annual general meeting held recently that the income of the company of over Rs 6.5 crores sets a new record, breaking the record made in the previous year. The company, he added, was keenly aware that these records had been made despite the fact that the crops had shown no increase and had tended to be stagnant. The company realised that these abnormally high prices could not last, and that meanwhile, costs keep steadily going up.

The vulnerability of the position was revealed by the fact that if the company had received the same payment per point for the crop of the year under review that it was paid less than five years ago, some of the estates would have been in the red and the income from coffee would have been disappointing. He, however, hoped that crops would no longer be stagnant and would show substantial improvement in th coming year and thereafter a a result of intensive and extensive replanting undertaken b the company over the last te years or more.

Mr Sreenivasan welcome central governments decisio to reduce export duty. "It i a welcome indication of th fairminded responsiveness o the new government in Delh that the export duty is used a a means of sharing windfal and not as a revenue deman and the duty was promptly reduced from Rs 22,000 to Rs 7,000 per tonne."

Paper Products

Paper products has recorded improved results for the year ended July, 1977, but the dividend has been reduced from 7.5 per cent to seven per cent, absorbing Rs 5.04 lakhs against Rs 5.40 lakhs in the previous year. As against an impressive increase of about 27 per cent in sales from Rs 480.72 lakhs to Rs 609.55 lakhs, the gross profit is up by 11.7 per cent from Rs 18.77 lakhs to Rs 20.91 lakhs.

The squeeze on profit margin is attributed to the clearance of backlog of paper stock at unremunerative prices and sharp rise in open market prices of paraffin which affected the profitability of the conversion division. Sales of the conversion division increased from Rs 391.62 lakhs to Rs 466.31 lakhs and of its paper mill at Roha from Rs 89.10 lakhs to Rs 140.24 lakhs. Though the production of paper has increased modestly from 2,150 tonnes to 2,359 tonnes, sales have jumped up from 1,926 tonnes to 3,854 tonnes. Sales of the conversion division and paper have been maintained at substantially higher levels in the first five months (August to December 1977) of the current year with a marked improvement in the profit margin.

Kirloskar Cummins

The directors of Kirloskar Cummins have recommended a dividend of 10 per cent for the year ended September 1977, on the capital as enlarged by a one-for-one bonus issue as against 18 per cent paid previously on the old capital. According to preliminary figures, the company's net sales are unchanged at Rs 27.40 crores, but the profit before tax has slipped from Rs 4.73 crores to Rs 3.11 crores, after providing Rs 96 lakhs (Rs 84.10 lakhs) for depreciation. With investment allowance reserve claiming Rs 22 lakhs (Rs 20 lakhs) and income tax including surtax Rs 1.58 crores (Rs 2.70 crores), the profit after tax comes to Rs 1.53 crores against the previous year's Rs 2.03 crores. After adding back Rs 36 lakhs (Rs 66 lakhs) being excess provision for the earlier year, the directors have transferred Rs 112.60 lakhs (Rs 190.07 lakhs) to general reserve No I and Rs 5.50 lakhs (Rs 18.70 lakhs) to general reserve No II. The proposed dividend will require Rs 49.70 lakhs.

Jay Electric Wire

During the first year of its production Jay Electric Wire has achieved sales of Rs 30 lakhs and has recorded a net loss of Rs 3.65 lakh after providing Rs 5.07 lakh for depreciation. The working results during the year ended July 31, 1977, have been affected by a power-cut to the extent of 50 per cent. The company has received a letter of intent for substantial expansion of annual capacity for tungsten filaments from 30 million pieces to 90 million pieces and for tungsten wire from 60 million metres to 120 million metres and for molybdenum wire to 30 million metres. The company is taking steps for the conversion of the letter of intent in to an industrial licence. The proposed expansion is intended to be financed partly from term loans and partly from internal accruals.

Modern Syntex

Modern Syntex (India) Limited has commenced trial production at their mills at Alwar, a backward district of Rajasthan. The Rs 3.6 crore project with 11,520 spindles has been set up for the manufacture of 1,300 tonnes of synthetic blended yarn per annum. The company hopes to reach 60 per cent of its commercial production capacity soon and full production by March, 1978.

Indicarbh Alloys

Indicarbh Alloys, which is setting up a Rs 4.30 crore tungsten carbide project at Hosur (Tamil Nadu), near Bangalore, will enter the capital market in April with a public issue of 700,000 equity shares of Rs 10 each at par. The company's technical and financial collaborators are Adamas Carbide Corporation of New Jersey (USA). It holds an industrial licence to manufacture 50 tonnes of hard metals per annum. The company manufactures a wide range of sophisticated tungsten carbide tips and tools as also titanium carbide and nitrite coated inserts which have higher wear resistance resulting in longer tools life, compared to the conventional tungsten carbide inserts.

The company will be introducing, for the first time in India, solid titanium carbide tools, which is a recent development overseas. The usage of tungsten carbide is being slowly replaced by solid titanium carbide in certain high speed finishing operations. If all goes well, commercial production is expected to start by April, 1979. According to Mr Khimji N. Mehta, chairman, the company does not envisage any difficulty in marketing its products. The installed capacity of the industry in India was 252 tonnes in 1975-76 against the licensed capacity of 728 tonnes (including letters of intent for 174 tonnes). The installed capacity in 1979-80 is estimated at 453 tonnes. The actual demand is currently placed at 400 tonnes which is likely to rise in the coming years.

ASEA

ASEA Ltd will be entering capital market with a public issue of 617,500 equity shares of Rs 10 each at par. The issue opens for subscription on January 30. Mr S.L. Parekh, managing director, stated recently that the new products to be manufactured at Nasik will add to the companys' profitability from the very first year. As the government plans to double the power generating capacity within five years, the products to be manufactured by the company at its Nasik factory will partly meet the anticipated growth in demand. The product range includes relays, minimum oil circuit breakers, induction furnaces, electronic control and supply units. Besides, the company already manufactures control and relay panels and LT and HT cubicles at its factory at Parel, Bombay, whose production is also being expanded. Trial production of circuit breakers and relay has already commenced at Nasik and commercial production in a phased manner is scheduled to start by April, 1978. The company has achieved a turnover of Rs 606 lakhs during the period from January 1,1977, to December 16, 1977.

Britannia Biscuit

The Britannia Biscuit Co Ltd will enter the capital market with an issue of 1,800,000 equity shares of Rs 10 each at a premium of Rs 5 per share. As many as 1,150,000 equity shares of Rs 10 each at a premium of Rs 5 per share are being offered to the general public. The subscription list will open on January 31, 1978, and will close on February 10, 1978 or earlier but not before February 2, 1978. The offer is open only to Indian nationals. The public issue has been fully underwritten. 4,06,286 equity shares of Rs 10 each at a premium of Rs 5 per share are being offered to those members who are Indian nationals resident in India, 43,714 equity shares of Rs 10 each at a premium of Rs 5 per share are being offered to the employees of the company and 2,00,000 equity shares of Rs 10 each at a premium of Rs 5 have been reserved for allotment to Unit Trust of India, Life Insurance Corporation of India and General Insurance Corporation of India.

The object of the issue is to increase the Indian participation in the company's equity share capital to over 60 per cent. The foreign shareholding in the company presently amounts to 55.01 per cent of the total issued and paid-up equity share capital. After the proposed issue the non-resident shareholding in the company will fall below 40 per cent.

Britannia Biscuit has drawn

up plans to broadbase its operations. It proposes to enter into the field of leather garments manufacture, mainly for exports. Mr K. Julian Scott, chairman, has disclosed that the company is at present negotiating with some parties in the UK, the USA and France for setting up an export-oriented leather garments unit in the country. It has also plans to set up a joint sector biscuits manufacturing unit in Thailand. The company intends to participate in the equity capital of the Indo-Thai project to the extent of the value of the machinery to be exported from India. The chairman feels that a number of Indian sick companies manufacturing food products could be taken over by the company. Some offers of the kind are under consideration of the company at present.

Vazir Sultan

Vazir Sultan Tobacco has reported increased sales of Rs 105 crores during the year ended September 30, 1977, against Rs 95.51 crores in the previous year. Its gross profit has increased marginally to Rs 5.40 crores from Rs 5.39 crores. The directors have proposed a final dividend of ten per cent on the capital as increased by the three-for-five bonus issue. It paid an interim dividend of seven per cent for 1976-77 and a total of 25 per cent for 1975-76. The total dividend distribution for 1976-77 will amount to Rs 102.54 lakhs against Rs 94.25 lakhs. The directors state that the increase in excise duty from June 1977 hit the sales of the company's main brand of cigarette, Charminar. However, the launch of new brand—Charminar Gold filter has enabled participation in the rapidly expanding filter market at a popular price. The company's net profit for 1976-77 amounts to Rs 1.75 crores against Rs 1.57 crores after providing Rs 3.24 crores (Rs 3.29 crores) for taxation and Rs 41.24 lakhs (Rs 52.15 lakhs) for depreciation.

Modipon Rayons

The Modis propose to set up a new rayon staple fibre plant in Andhra Pradesh. A new company, Modipon Rayons Ltd, has been promoted by Modipon Ltd for undertaking the project, which will have an installed capacity of 27,000 tonnes of rayon staple fibre per annum. It will also manufacture 23,000 tonnes of sodium sulphate, 30,000 tonnes of sulphuric acid and 6,000 tonnes of carbon disulphide for captive consumption. The cost of the project is estimated at Rs 48 crores, which is proposed to be met by share capital of Rs 12 crores and term loans of Rs 36 crores.

Nath Paper Mills

Nath Pulp and Paper Mills is setting up a Rs 3.25 crore paper mill at Vahegaon, a small village near Paithan (Maharashtra). The company has imported a running paper mill from Scotland. Besides being cheaper than the locally available mills, the imported plant has larger production capacity for producing good quality paper and boards. The main raw material will be wheat straw and other agricultural wastes, which are available in plenty in the vicinity of the plant. Water will be available from the Jaikakwadi project which is only a few kilometres away from the project. The plant is expected to go into production by March 1978. The company proposes to enter the capital market shortly to raise a part of its share capital from the public.

Mafatlal Fine

Mr Y.N. Mafatlal told an extra-ordinary general meeting of the Mafatlal Fine Spinning and Manufacturing Co that the company has been doing fairly well in the current year so far. Sales of the textiles division in the first nine months of the current year (April-December 1977) have been higher at Rs 42.53 crores against Rs 38.03 crores in the same period of the previous year and those of the chemicals division at Rs 6.66 crores against Rs 6.12 crores. The chemicals division's sales could not increase since the aluminium industry, which is its major customer, has been running at much below its capacity due to acute power shortage. Things are, however, expected to improve in the coming months.

Chemicals and Fibres

Chemicals and Fibres of India (CAFI) has received a letter of intent for expansion of its capacity from 6,100 tonnes to 10,000 tonnes of polyester fibres per annum. Disclosing this, the company's chairman, Mr A.L. Mudaliar, told shareholders at the annual meeting in Bombay recently that the expansion would cost about Rs 2.3 crores and would be financed largely from internal resources. The expansion would be completed in about two years. The company's board is confident of marketing expanded production though the indigenous industry has been passing through difficult times for the past year or so because of free import licences issued to textile mills. The overall market for polyester fibre has grown considerably and demand during
1976-77 was placed arou
32,000 tonnes against 20,0
tonnes in the previous yea

The expansion is not link
to foreign shareholding in t
company which curren
accounts for about 55 per ce
of the equity capital. It c
continue to retain forei
holding at the current le
under FERA. Meanwhile t
price realisation for the co
pany's polyester fibre h
dropped considerably duri
the current year because
continued heavy imports of t
material at cheaper prices.
net sales during Octob
December, 1977 have totall
Rs 5.50 crores against Rs 7.
crores during the correspodi
quarter of last year. Its gro
sales, including excise dut
have been placed at Rs 11.
crores against Rs 14 cror
This is in the face of the mai
taining of production, whi
totalled 1,661 tonnes again
1,634 tonnes in the san
quarter of last year.

Larsen & Toubro

The works of Larsen
Toubro Limited at Powai, ne
Bombay, resumed operatio
on January 19, 1978. T
management had suspend
operations at the Powai Wor
from November 27, 1977
account of intense trade uni
rivalry which had taken
violent turn, creating a thre
to the safety of the worke
and posing a law and ord
problem. The management h
appealed to the workers
abjure violence and to sol
their differences among
themselves in a peaceful a
democratic manner.

South India Shipping Corp Ltd

In our issue dated December
1977, in the Chairman's speech,
the last column under the he
Indian Tonnage the figure 8.
million DWT should read as 8.
million DWT.

Indirect taxation enquiry committee report

The Jha Committee has submitted part II of its report on indirect taxation with a plea for a value added tax at the manufacturing stage in which appropriate credit for tax already paid on inputs is given.

THE INDIRECT Taxation Enquiry Committee was set up on July 19, 1976, and consisted of Messrs L. K. Jha (Chairman), M. V. Arunachalam, (Dr.) Raja J. Chelliah, J. Sen Gupta, G. B. Newalkar, (Dr) Manmohan Singh and K. Narasimhan. Shortly thereafter Mr S.S. Marathe took the place of Dr Manmohan Singh. Part I of the report which sets out the main conclusions and recommendations of the committee and the reasons behind them has already been released and the main conclusions and recommendations of the commitee are briefly sumarised below. It will be for the government to consider and decide when part II of the report will be made public.

Steady Increase

In a developing country like India in which direct taxes like income tax can fall only on a small proportion of the population, the reliance on indirect taxation which reaches the masses for mobilising resources has been increasing steadily and in 1976-77 they accounted for nearly 80 per cent of total tax revenues. The share of indirect taxes in India is appreciably higher than the average share of such taxes in many developing countries as well as industrialised countries.

The committee was not called upon to express any views on the total burden of indirect taxes on the community as this is a matter entirely for government and parliament to determiue having regard to all relevant factors. The committee's charter was to look at the structure of indirect taxation in India. Some of the weaknesses and the remedies the committee has suggested are set out below.

Widening the Base

The committee found that an increase in the national income resulted in a less than proportionate increase in tax revenues. As a result, even to ensure that indirect taxes brought the same proportion of the national income to the exchequer—which would mean no increase in the relative tax burden—tax rates had to be raised from budget to budget. To remedy this situation and to impart greater elasticity to revenues, the committee has recommended much greater use of *ad valorem* duties in place of specific duties and also a widening of the tax base.

Sales taxes as well as customs duties are mainty *ad valorem* and have an extensive coverage. The revenues from these have shown greater elasticity than excises which are the most important in terms of revenue of all the indirect taxes. The excise base too has been widened to cover almost the entire range of manfufactured products since 1975.

With an increasing number of products being subjected to excise duties, the whole indirect tax system would achieve an adequate measure of elasticity. This would mean that as the economy develops and the national income grows, revenues would rise at a rate proportionate to the growth in national income, if not higher. The occasion to raise duties would then only arise when it is proposed to raise the tax burden on the community. The time is, therefore, opportune for undertaking a rationalisation which would bring into being a tax structure which would have stability and not need to be altered too frequently.

First Objective

In evolving such a tax structure, the first objective most naturally should be to keep its incidence on lower income groups as low as it can be, consistent with the requirements of revenue, while having higher rates of taxation on products consumed by those higher up in the income scale. While such an objective has been kept in view in respect of nominal levies on individual products, in actual fact, this objective has frequently been frustrated by the levies on different inputs which are used in the manufacture of different products of consumer interest as well as by the fact that different taxes levied by different authorities impinge on the same product.

Higher Burden

In consequence the total burden on the consumer is usally much higher than the rates of tax imposed on final products. The levy of taxes on taxes and higher profit mark-ups and financial burden due to the need for a larger amount of working capital resulting from multistage excise and sales taxation of inputs contribute to an all-round escalation of costs and profits. Extensive taxation of inputs has caused divergence between the nominal rates on final products and the cumulative rates on them. A heavy tax at the input stage also tends to be regressive. It encourages out manufacturers to produce more of expensive varieties of the same input. Taxation of inputs also tends to encourage vertical integration, the manufacturer producing more and more of the inputs needed by him rather than buying these from ancillary industries. Taxation of inputs affects exports adversely inasmuch as it becomes a part of the costs of production.

The effectiveness of the drawback system is eroded as it becomes virtually impossible to calculate exactly the total quantum of indirect levies on a product which is to be exported. Further, sales taxes and octroi duties are not taken into account in the drawback calculations, while the states geneally extend only limited concessions in respect of inputs under their sales tax systems.

The committee undertook a study of the incidence of indirect taxation by the centre and the states on inputs as well as final products based on the consumer expenditure survey conducted by the National Sample Survey Organisation. It found that in terms of percentage of expenditure, the tax burden as a whole appeared to have been distributed in a progressive manner, both among rural and urban households taken separately. The burden on the urban households was distinctly higher than on the rural households in the corresponding expenditure classes. Among the food products the excises on sugar and the sales tax on foodgrains and atta affected all expenditure groups and appeared to be regressive with respect to total expenditure. The taxation of certain intermediate products, such as iron and steel, diesel oil and tyres and tubes place a burden on almost all expenditure groups, even though the incidence of these taxes turns out to be progressive.

Resource Allocations

Apart from the burden it imposes on different income groups, the soundness of the tax structure has to be judged by its economic impact. Different levies on products which cater to the same income groups and different levies on inputs which can be used for producing the same goods, influence the choices of the consumer and producer. Such interference, when it is intended to conserve resources which are scarce and to encourage their replacement by those which are more plentiful, can be a purposeful use of indirect taxation to ensure conformity with national priorities. But when such interference is accidental, it can result in distortions and uneconomic allocation of resources.

Rate Categories

Indirect taxation should be non-discriminatory in so far as the objective is to raise revenue; but where intervention is called for, indirect taxation may be selectively used for causing diversion of resources through changes in relative prices. Where there is no special reason for interference, like products should be taxed in a non-discriminatory of fashion. While consumer goods largely consumed by upper income groups should be taxed at higher rates to ensure progression and to restrict the flow of investment in to the production of non-essential goods, it would be desirable to apply the same high rates to the entire range of products, in this class, unless there are good social or economic reasons for introducing differentials. A plethora of rates makes tax administration as well as tax compliance a complicated matter. Various consumer products should, in course of time, be fitted into four or five (cumulative) rate categories.

In deciding whether a product should be subjected to a high, medium or low rate of taxation, account will have to be taken of the income groups consuming it—those consumed more or less exclusively by upper income groups being taxed at higher rates than those consumed predominantly by lower income groups. However, in such an attempt there should be no *a priori* presumption that products of modern technology, such as cloth made mainly or wholly of artificial fibres or goods made of plastics, are of exclusive interest to the rich. Whether the product is cheap or expensive should be the main criterion in determining whether it should be considered as being primarily consumed by the poor or the rich and for this purpose the yardstick of price before tax would be the best one to apply.

Relief Provisions

As regards levies on inputs, its main function should be to tax those producers who are themselves outside the network of indirect taxation as well as those used for replacement consumption. When such inputs are used by manufacturers who pay tax on the final product, arrangements should be made to give them credit for the tax already paid on the input. Provision for giving such relief in regard to excises already exists, particularly under rule 56A of the Central Excise Rules. Fuller and more extensive use of this provision would be desirable, the rates on the final product being enhanced where necessary and appropriate.

There are good reasons why capital goods as a class should not be subjected to indirect taxation. Because taxation is supposed to provide resources for investment and to the extent that it raises the cost of investment, its net contribution gets reduced if not nullified altogether. However, in Indian conditions a small levy on capital goods can be defended from some some other point of view. However this rate should be low.

Differential levies can also be used for encouraging or discouraging investment in particular fields. Sometime on short term considerations e.g., when scarcities develop and there is a possibility of abnormal profits being made the excise duty can be raised to restrain demand and curb profits. Care should be taken to ensure that such levies are not, on revenue grounds continued after their economic purpose has been served.

Much of what has been said above has special relevance to excise duties. Purely from the revenue angle, imported products must also bear the same levies as indigenous products do. However a higher levy would be justified to the extent that it may be needed to protect domestic industries from foreign competition or to conserve foreign exchange.

Import Duties

The present level of import duties which had been hiked up in a situation of acute foreign exchange shortage appears to be too high. As a result high cost unecouomic industries have come into being. Duties on intermediates and machinery particularly will have to be brought down to lower levels. In view of the substantial revenues involved, this could be attempted in phases. The loss of revenue will get partly compensated by larger imports coming in as well as through the excise revenues derived from higher domestic production. To the extent that on revenue considerations relatively high customs duties on intermediates continue to be imposed, pro edures for relief from input axation which are available or excises should also be ex- ended to imported duties in elation to a limited number of roducts in whose cases cascad- ng and other distortions seem o be particularly severe and armful.

Having spelt out its general deas about the ways in which he excise duties and customs luties should be rationalised he committee has left to government to decide what particular rates should apply to particular products. However it has made detailed studies about the different ways in which the taxation of certain produts like textiles, certain inputs like metals and plastics and certain services like transport, affects the consumer and the economy generally.

If the rationalisation measures, which the committee has recommended and particularly the reduction of duties on inputs, may entail a loss of revenue, such loss can be recouped by making appropriate increase in the rates on the final products. The committee has also suggested that the pace of change may well be spread over three years or so. In many instances, a reduction in the rate of duty may have no adverse effect on revenue if as a result the production goes up.

The committee has paid special attention to the ways in which encouragement can be given to small producers through concessional rates of taxation. It has noted that there are very large number of notifications each providing for a tax concession varying from product to product and applying different criteria in respect of each. The committee feels that the value of production of a unit would be the most rational basis for granting concessions to smaller producers. There should be a total exemption from excise up to to a certain value of production; any excess over it should be taxed at a concessional rate subject to an upper limit, beyond which the excess should be liable to normal rates. Where the production reaches a sufficiently high level in a given year, the producers should be subject to the normal rate of taxation from the following financial year.

The committee has also recommended that the scheme of simplified procedure for small producers at present applicable to 46 industries needs to be improved and extended over a much wider field.

In regard to the sales tax, the committee has observed that a decision on the final choice regarding the future role of the sales tax system, as to whether it could be made a central subject to bring about an integrated and rationalised system of indirect taxation on domestic production and consumption extending from the manufacturing to the retail stage or whether it would be enough if the existing systems themselves are reformed as so to free them from most of their weaknesses, has necessarily to be political.

It has expressed the view that the excise system, despite the considerable widening of the base in recent years, is still not, and cannot also become, universal in coverage. The sales tax on the other hand is much more in the nature of a general tax covering all commodities except those where the intention is to spare the consumer. *Prima facie* there is a strong case for preserving sales taxes in addition to excise duties on

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the ground that both play distinct roles.

However for the sales tax to be retained, its scope should be suitably amended to ensure that the taxation of inputs does not impinge in the way that it does today on the costs of production of final products. This objective could be achieved and the sales tax could be made to play a distinctive and complementary role to excises rather than get enmeshed as it does today with the excise levies, if a single point sales tax at the last stage were to be imposed by each state.

Line of Demarcation

In order that the sales taxes do not impose an irksome burden on small shopkeepers, the limit of turnover of or above Rs 2½ lakhs prescribed by the Income Tax Act for compulsory maintenance of accounts could be taken as a line of demarcation for purposes of compulsory registration of dealers for sales tax purposes with provision for compulsory registration without limits for manufacturers and importers. The law should also provide for voluntary registration of dealers whose turnover is less than Rs 2.5 lakhs.

Manufacturers, wholesalers and importers who sell their goods to dealers not registered under the Sales Tax Act will charge them sales tax at the appropriate rate, but the unregistered dealers' sales themselves would not be subject to sales tax.

The committee has drawn attention to the fact that the rate of tax on inter-state sales which was originally fixed at one per cent but has since been raised to four per cent seems to have gone against its basic rationale, namely, that while some revenue should accrue to the exporting state, the tax should not result in a significant burden on the importing state.

The committee has also recommended measures to bring about greater uniformity in rates and particularly in the sales tax laws and the forms prescribed under them in different states.

The committee has drawn attention to the harmful and obnoxious features of octroi levies and recommended its abolition. Resources for the upkeep of municipal areas consequent on the abolition of octroi should be found by taxation by the local authorities or by the state government; the burden of compensation should not be passed on to the centre.

Commodity Taxation

If commodity taxation is to be its substitute, the levy should be made by the state rather than by municipal bodies. A flat turnover tax with its rate being limited to less than one per cent would be a viable alternative. If necessary, the abolition could be given effect to in a phased manner, the national highways being freed of them to start with and the levies in the metropolitan cities being removed at a later stage.

In regard to procedural matters, the committee has emphasised the importance of imposing statutory time limits in respect of the following :

(a) Approval of classification and valuation;

(b) Sanction of refunds, rebates and drawbacks of excise and customs duties;

(c) Finalisation of provisional assessments and assessment documents;

(d) Decisions in short assessment demands for each of the above different time limits could be stipulated. It has also expressed its views on a number of issues which often become the subject matter of dispute between the assessees and the tax authorities and suggested that government may make appropriate amendments to the law and eliminate doubts and litigation.

The committee has also recommended that it would be desirable to set up an independent body to hear appeals which would inspire public confidence as has been done in the case of income tax.

Once the indirect tax system has been rationalised on the lines recommended above, the way would be open to consider the next step, namely, a switch-over to the value-added tax system which has been adopted in many developed and developing countries. The advantages of such a system are many and widely recognised. The main problems are two.

Single Authority

In India we have both central and state levies. A single tax to replace both cannot be contemplated unless all the indirect levies become the responsibility of one authority. As things are, it would be best to think of a value added tax applied at the manufacturing stage (MANVAT). This will mean that formally it will be applied at the manufacturing stage in lieu of the present excise system in a manner which will ensure that while inputs continue to be taxed, appropriate credit for tax already paid is given at each stage and the final levy on the product will be the same as the rate applicable to the end product. Thereafter sales
taxation would begin to a
In course of time MAN
could be extended to
imports.

The second major
deration is the administr
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This may understand
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Scope of MANVAT

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would be preferable to ke
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The introduction
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would enable tax administ
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Studies have revealed that
VAT confined to the man
facturing level would not
beyond the capacity of t
authorities in India. In t
interests of safeguardi
revenue, it is necessary
establish the workability of t
new system before its wide
spread application is conten
plated.

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Editor : V. Balasubramanian
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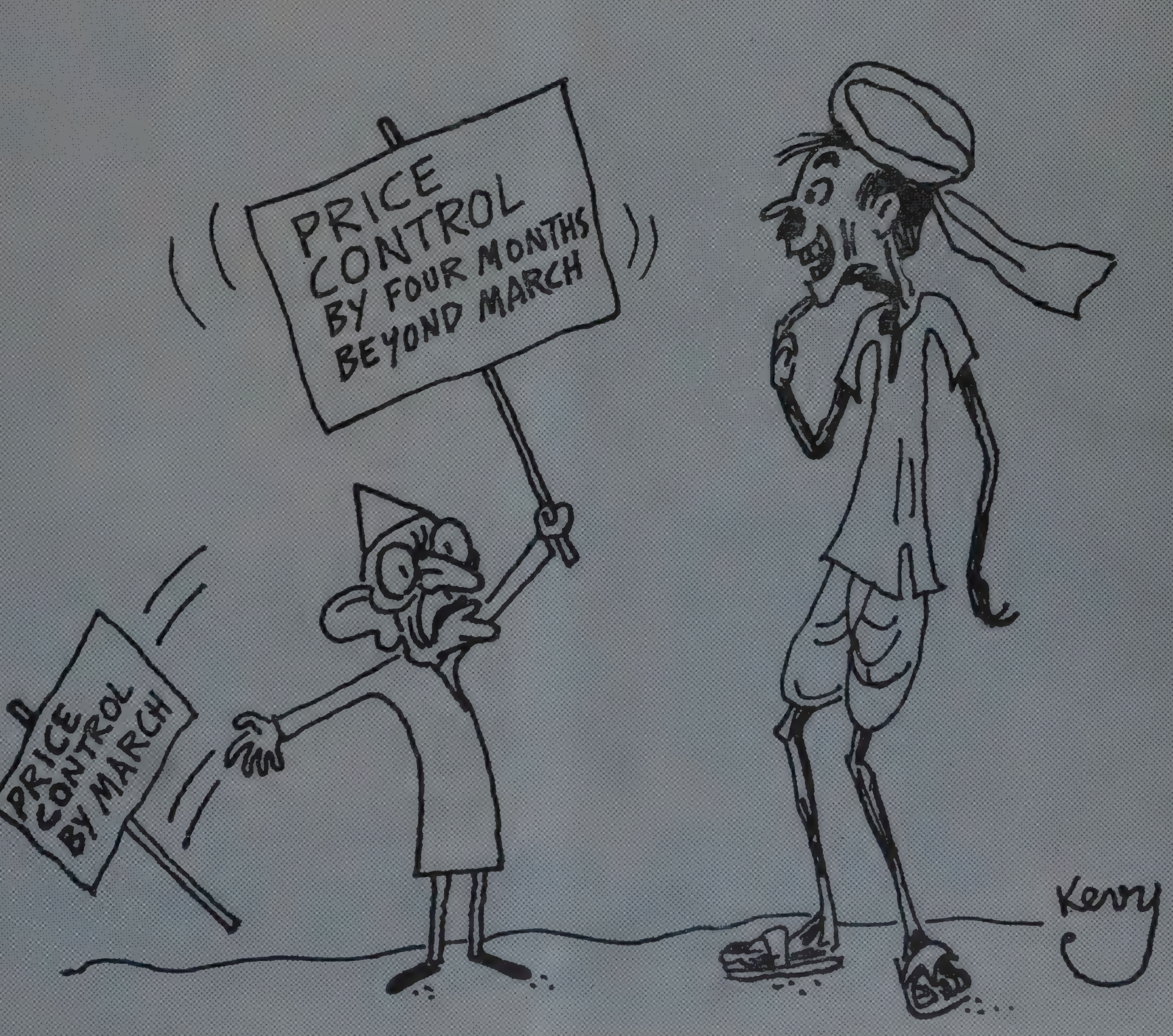
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Power and performance

AT THE Power ministers' conference held in New Delhi in the last week of January, Mr Morarji Desai did some plain speaking and Mr George Fernandes some blunt speaking. The prime minister held the state governments responsible for the poor performance of the state electricity boards and sternly warned them against manning these boards on political considerations. It is of course quite true that a high degree of professionalism is greatly needed in the planning, building and management of power facilities and the sooner this imperative is recognised and its implications given effect to, the better it will be for the country's economy. But, then, is the central government itself above reproach in the matter of keeping political considerations out of its decisions relating to those high appointments or nominations which need to be made on non-political grounds and on the basis of merit and qualifications? There have certainly been cases recently where it could be said that the government which Mr Desai heads has not practised what Mr Desai has preached to state governments. This, however, cannot be an excuse for state governments, which are primarily responsible for providing adequate power supplies to agriculture and industry, not turning over a new leaf in ensuring that the state electricity boards are so constituted that they are in fact able to discharge their functions with integrity and efficiency.

This could of course be only one of the steps that will have to be taken towards reforming or reinvigorating the power generation and distribution systems. It is equally necessary that the managerial and technical personnel, especially at the higher levels, are selected for their particular jobs or posted at their particular places in terms of the interest of the institutions they serve rather than because influence has been at work. It is also essential that the power portfolio should not be treated as a junior ministerial charge and that, at least in the states where power supply has been allowed to become chaotic, the chief minister himself should take over the portfolio for a period. Here again the prime minister may have to consider whether some kind of a lead should not be given by New Delhi itself.

The Energy minister, Mr P. Ramachandran, has indicated that a high-power committee will be set up shortly on an all-India level to make practical recommendations for rationalising the tariff structure and improving the working of state electricity boards. His observation that the main function of this committee would be to review the financial norms under which electricity boards have been working so that losses might be avoided in the future may however occasion some disquiet in a situation in which generating capacities are being under-utilised to an extent of between 40 and 50 per cent by the various state electricity boards, transmission losses are unconscionably heavy and breakdowns and unscheduled power shedding disturbingly frequent. The raising of tariff in the name of rationalisation could only be piling injury on the injury already done to various categories of consumers. It is not argued here that the power tariff should not be revised so that it may be properly related to costs or returns on investment. But it is only fair and reasonable that financial norms should not be arbitrarily fixed without reference to performance norms. Indeed any objective observer of the power scene today could have no difficulty in concluding that the setting up of performance norms and their strict observance should precede the imposition of financial norms. Otherwise the so-called rationalisation of the power tariff would in fact mean charging electricity consumers more for the services which in fact are not being rendered to them. In this view of the problem, Mr Ramachandran's promise to set up a task force under the central electricity authority for advising on the measures needed for the maximisation of capacity utilization of power plants is of course highly relevant.

The Industry minister, who has been displaying commendably keen interest on the expansion of power facilities, is known to be serious about a time-bound programme for the installation of new power plants. Although additional power generation will mostly be in the public sector, a substantial contribution can and must come from the private sector as well. Apart from the efforts that might be forthcoming from the limited private sector already existing in the power generation industry, full scope should be given for the installation of captive power plants by industrial consumers. In addition—and this is very important if power expansion targets are to be hit—private parties who show interest in entering the power generation business should be encouraged to build large power stations for generating electricity and distributing it both directly and through the state electricity boards.

There is a notion prevailing at present that large power plants cannot be built within periods much less than four years. This notion must be got rid of because, as a matter of fact, the business and technology of constructing power plants have advanced so much that big power facilities can be built in two years or even 18 months. Here it may be very useful to enlist the services of foreign collaboration both in the supply of equipment and the installation and commissioning of plants. Since power generation is in the core sector, the government cannot have any objection to this kind of foreign collaboration. A scheme of import credits to Indian parties showing interest in entering the power generation field could also help in the implementation of power expansion programmes. Under this scheme foreign exchange for the import of power plant and equipment could be released as loans to the Indian parties on their furnishing appropriate bank guarantees. The leeway to be made up in power generation is so great that resources and efforts will have to be activated on the largest possible scale. While reforming or rejuvenating state electricity boards is important, they alone cannot deliver the goods.

Sales tax rationalisation

THE IMPOSITION of sales tax continues to be a controversial issue. While the industry and trade desire its abolition or at least replacement by a central tax in the form of additional excise duty—the latter being favoured even by the central government—the state governments are chary of surrendering their right to levy this impost, as they find in it the most elastic source of revenue for them. Interestingly enough, the Indirect Taxation Enquiry Committee, headed by the governor of Jammu and Kashmir, Mr L.K. Jha, has expressed itself against the complete abolition of this tax, despite its complexities. In this committee's view, sales tax being of the nature of a general tax covering all commodities, except those where the intention is to spare the consumer, there is a strong case for preserving it in addition to excise duties. Both the systems of taxation, it has stressed, play distinct roles. In respect of making sales tax a central subject, with the idea of bringing about an integrated and rationalised system of indirect taxation of domestic production or consumption, extending from the manufacturing to the retail trade, the committee feels the decision necessarily has to be political.

The proceeds from sales tax to the state governments aggregating to nearly Rs 2,500 crores annually and in view of the observations of the Jha committee's report, complete abolition of this system of taxation apparently cannot be expected in the forseeable future, unless ways and means are found to compensate the states not only for the loss of revenue from this source but also some reasonable annual growth in the revenues of states is ensured. Attempts in the latter respect, indeed, have been made by the Finance minister, Mr H.M. Patel, but without any success so far. This is in spite of the fact that replacement of sales tax by additional excise duties on three major items, namely, sugar, textiles and tobacco, has yielded wholesome results both from the trade and government points of view. Whereas the trade has been spared the botheration of collecting this tax at a good deal of time and expense, the state governments have been receiving increased revenues
from the additional excise duties on
items year after year. The proceeds
the additional excise duties, it may
mentioned, are passed on in their ent
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states' objection

The state governments have been obj
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imposition of additional excise le
primarily owing to the reason mentio
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revenue for them. But there appea
be some other considerations also
their not agreeing to the substitut
of sales-tax by additional excise lev
Presumably, one consideration is
patronage involved and another is
semblance of the autonomy in st
finances which sales tax provides. Th
are also differences of opinion on the ba
on which the growth of revenue to
state governments can be ensured if sa
tax is either abolished or replaced by
central impost.

The genesis of the conflicting opinio
about the basis of ensuring adequate co
pensation to the different states if sa
tax is abolished or replaced by anoth
form of indirect taxation is that the sa
tax rates and structure vary widely fro
state to state, particularly in respect
non-essential items and the imposition
the tax at the intermediate stages of man
facture.

The rationalisation suggested in th
sales tax system by the Jha committe
deserves pertinent notice in the latte
respect. In line with its opinion tha
despite the considerable widening of th
base of the excise system in recent year
this system still is not, and also canno
become, universal in coverage, sale
tax can be retained as a distinct entity
the committee has recommended only
complementary role for the sales ta
system to that of the excise levies, rathe
than allowing it to get enmeshed, as
does today, with excise duties. Th
reason for this recommendation is tha
if sales tax is made a single point levy a
the last stage, the cascading effect o
imposing it at the intermediate stages o
production would be obviated. This
indeed, should have a very beneficia

effect on the economy. Another virtue of the reform will be that the state governments would be in a better position to determine what kind of burden they should impose on consumers in their jurisdiction in respect of different products.

It was well of the committee to have drawn attention to the irksome burden that sales tax at present imposes on small shopkeepers. It has suggested that to eliminate this burden, the limit of turnover of/or above Rs 2.5 lakhs should be prescribed by the Income Tax Act for compulsory maintenance of accounts as a line of demarcation for the purposes of compulsory registration of dealers for sales tax, with provision for compulsory registration without limit for manufacturers and importers. The law, of course, may provide for voluntary registration of dealers whose turnover is less than Rs 2.5 lakhs. Manufacturers, wholesalers and importers who sell their goods to dealers not registered under the Sales Tax Act, will charge them sales tax at an appropriate rate, but the sales of unregistered dealers will not be subject to sales tax.

reversal of trend

The committee has expressed itself strongly against some state governments trying to significantly burden the consumers in other states through this mode of taxation. It has drawn attention to the fact that the rate of tax on inter-state sales which was originally fixed at one per cent but has since been raised to four per cent seems to have gone against the basic rationale, namely, that while some revenue should accrue to the state exporting a product, the tax should not result in a significant burden on the importing state. It also points out that the present system has led even to avoidance of the tax altogether. The trend, therefore, ought to be reversed.

The recommendation that measures should be taken to impart greater uniformity in the sales tax rates and particularly in the sales tax laws and the forms prescribed under them in different states is unexceptionable. The idea behind this suggestion appears to be that not only leakage of revenue is contained but also upsets in trade channels and undue harassment to traders are obviated. But these objective can be achieved in a better way by extending the list of commodities subjected to additional excise duties, which will bring down the sales tax collection cost quite significantly.

PATA in Delhi

The twenty-seventh annual conference of Pacific Area Travel Association (PATA) was held in New Delhi from January 23 to January 26 in an atmosphere of gaiety and splendour. When the prime minister, Mr Morarji Desai, came to inaugurate the conference on January 23, the atmosphere was brightened by gaily clad buglars and folk dancers and the delegates from 70 different countries applauded in delight the unique manner of the beginning of this meet. The India Tourism Development Corporation staged a multi-media show composed of film slides, music and an artistic play presenting a panorama of this country's scenic beauty, culture and crafts.

While inaugurating the conference, Mr Morarji Desai observed that this country was interested in increasing tourist traffic not merely for having monetary benefits out of this trade, which he said was only incidental, as it could not solve the financial problems of a large nation like ours. True significance of tourism, he said, lies in the generation of goodwill and better understanding among the peoples of the world. Mr Desai rightly added that in a world full of strife we should try to ensure that there would be no war. Tourism, therefore, should not be developed as an end in itself but as a means of bringing together different people from various lands. It would be necessary to evolve an ethos of tourism in relation to culture and changing life style of the visiting people.

The prime minister highlighted the importance of providing facilities for ordinary people to go about in the country in large numbers. In this context this country has been creating facilities at all levels for tourists of different economic status. Youth hostels and clean and comfortable but inexpensive hostels for the not-so-affluent and also four and five star hotels have been built in recent years, but more attention needs to be given to both categories of residential accommodation in view of the rising inflow of tourists to this country.

More facilities should also be provided not merely for amusement and for pleasure but also keeping in mind the benefit the foreign visitor can derive through learning about the rich heritage and recent advances in art and culture in this country. The prime minister observed

Eastern Economist 30 Years Ago

FEB. 6, 1948

Mahatma Gandhi is no more with us. A week ago this day a foul hand shot dead this great friend of humanity who bore no one any malice. Light then departed from the lives of millions all the world over and there was growing emptiness within. Such was the suddenness of the shock that the appalling tragedy scarcely seemed believable and continues to be unreal to many. For over half a century all that Mahatmaji said and did had been woven into the texture of our daily life. He was always very near—advising in difficulty, consoling in loss, admonishing for shortcomings but all the time inspiring, by word and deed, to noblest endeavour. A soon as his radiant presence was withdrawn there was an overwhelming sense of murky darkness, of faltering step and a certain loss of direction.

that travel agencies had a vital role to play in organising tourism from this angle and they could do it better than the government agencies, though the latter could encourage the former in making their work easier and more effective.

Mr J. R. D. Tata, chairman of Air India, speaking on the occasion about the trends in air transportation, stressed that the application of the new concept of long haul international travel was likely to provide an important stimulus to the growth of air transport in the next decade. He added that though the budget fares recently introduced by the airlines were about one-third cheaper than the previous lowest promotional fares, new means of saving money offered to the travelling public did not generate substantial new traffic but diverted existing traffic to the reduced fares.

With the advent of the Jumbos, Mr Tata suggested, time had come for a formal recognition of three-class concept of travel. In fact, the promotional fare structure during the last eight years had introduced the three-class concept, though in an untidy and unnecessarily complicated way. He proposed that the 747 and DC 10 planes and their future stretched versions were ideal vehicles for providing cheap fare travel in combination with first and intermediate class. This system would reflect credible fare structure in which fare level would genuinely reflect the varying quality, comfort and convenience. The three-class concept of air travel was essential because in the present concealed, complex and unfair pattern of fares, the high fare paying passenger was in effect discriminated against. The formalization of fares would probably lead to a more sensible and easily understandable pattern for the benefit of the tourists of all classes.

Mr Tata predicted an annual growth rate of six per cent in world air travel while the 'sky train' type of cheap fares could raise the average growth rate to 10 per cent in the number of travellers and eight per cent in revenue. This growth rate seemed to be entirely achievable provided sufficient hotel accommodation was available to match it. In this context the construction of hotels in important places of tourist interest and development of holiday resorts could form an important part of the comprehensive approach to this industry. Stress also needs to be laid on the development of approach roads to important places for the benefit of travel by coaches and automobiles. In fact if proper infrastructure including the facility to travel and stay could be made available, many attractive places which do not need even to be devel extensively, would appear on the to map.

The PATA meet in Delhi decide set up a special fund to stimu tourism in this region. This was closed by Mr M. Ramsden, the outg president of PATA, who indicated the structure of the association was being changed in order to make it m efficient. For instance the active m bers of tourism industry in this cou would be granted representation on board of directors of PATA.

It was also decided at the meet to categorise the supplemental air carr as active carriers. The list of assoc members of the association was proposed to be enlarged with a view including numerous expert organisati such as advertising agencies, public r tions firms, sales promotion organisati travel trade associations, organisati and firms involved in tourism devel ment and educational and tourist or nisations. The meet, therefore, pro fruitful in both exposing this coun to the world leaders of tourism and a in making PATA, one of the m effective representatives of tourism indus in the world, more responsive to demands of this area.

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CAPITAL'S CORRIDORS

C. Raghavan

Samachar at it again ? • Maneka wins the argument • A judgment of Importance • President's broadcast—behind the scenes story

SEPTEMBER last year, Samachar ompletely suppressed reports on the earings in the Supreme Court on Mrs laneka Gandhi's passport problem. She ad challenged the government's order npounding her passport. Though the sues raised went far beyond her probm, and involved many vital issues relatg to freedom of speech, trade, profeson etc., Samachar completely blacked ut any reports on the hearings before a even-member constitution bench (Sepember 30, 1977).

Now Samachar has outdone itself by istorting and misreporting the Supreme ourt's judgement on the case, published the newspapers of January 26, 1978. is also surprising that the capital's ewspapers should have merely relied pon Samachar's reports instead of ust picking up copies of the judgments rom the registry of the Supreme Court, here enough cyclostyled copies for the enefit of the press had been made available, and doing a report themselves. elying upon the Samachar report, one ewspaper even went to the extent of eadlining the news to the effect that e court has held that the right to a assport is not a fundamental right!

drum beater

The Samachar report of the judgments either the result of its misreading due ignorance of English language and w, or a case of deliberate distortion—amachar having been a drum-beater of Ir Sanjay Gandhi during the emergency now trying its best to put a distance etween itself and Mr Gandhi and his mily and curry favour with the current tablishment.

Far from Mrs Maneka Gandhi not having won her case, as the Samachar's misleading intro, and headlines based on it, would imply, in fact she has not only won her case substantially, but in the process managed to extend the personal liberties of the citizens of our country in numerous other spheres. At one stage in the hearings, the Attorney-General conceded the illegality of the actions against Mrs Maneka Gandhi, and offered to have the case reviewed. If Mrs Maneka Gandhi had accepted the offer and withdrawn her case, she might even have won back her impounded passport immediately —instead of its being subject now to a maximum delay of another six months. But she chose to persist in her court petition, and thus managed to get rulings from the court extending all *our* personal liberties. She deserves the thanks of all of us (including Samachar and its employees whose freedoms too have been extended provided they understand it and are willing to fight for it).

leading judgment

The leading judgment in the case is by Justice Bhagawati, on behalf of himself and Justices Untwalia and Murtaza Fazal Ali. Chief Justice Beg, and Justices Chandrachud and Krishna Iyer delivered separate but concurring judgments. Contrary to the Samachar report which makes it appear that Mr Beg delivered a dissenting judgment, he has merely dissented from the final order. All three have explained some of their individual reasonings, but all have agreed with the legal conclusions. Only Justice Kailasam dissented from the majority view.

To give the background (to the legal situation after the passport case judgment now), for a long time, from the A.K. Gopalan judgment in 1950, the Supreme Court had laid down the law that various aspects of fundamental rights of a citizen were spelt out in various articles in Part III of the Constitution and a law purporting to deal with one aspect (as judged by the pith and substance) will be tested by the parameters of restrictions spelt out in that article. Once such a law is found to be reasonable, if it also affects other freedoms in other articles, the citizen will have no remedy. This doctrine held sway, until it was upset by the R.C. Cooper case (bank nationalisation) when Chief Justice Shah delivered the majority opinion overruling A.K. Gopalan case. This reasoning was followed to some limited extent subsequently in two or three cases involving detentions. In the present judgments, the full scope and implications of the Cooper judgment, in relation to other facets of personal liberties (than property) have now been spelt out and is the law of the land, binding on lower courts, and on the Supreme Court, unless it overrules itself, and applies to all executive actions and quasi-judicial and administrative tribunals and decisions.

improper exercise

The government, in impounding Mrs Maneka Gandhi's passport on the ground that her presence as a witness might be required by the Shah Commission, had refused to disclose the reasons to her on the ground it would be contrary to public interest to disclose it. The court ruled that no reasonable person could have taken this view and said "this is an instance showing how power conferred on a statutory authority to act in the interests of the general public can sometimes be improperly exercised".

In 1967, the court (Justice Subba Rao's judgment) held that the right to travel abroad is part of the liberties encompassed by Article 21 and hence a fundamental right), and so the executive could not curtail that right by refusing a passport (or impounding it) without the authority of law. This aspect of the fundamental right to travel abroad has been upheld even now. The Passport Act of 1967 was enacted to cure this defect.

The court has now held that restrictions on liberties that could be placed under

Article 21 by "procedure establised by law" means the procedure could not be *arbitrary, unfair or unreasonable.* The mere fact of enactment of a law prescribing some procedure would not do. The concept of reasonableness must be projected into the procedure contemplated in Article 21.

It must now be taken to be settled law that Article 21 does not exclude Article 19 and that "even if there is a law prescribing a procedure for depriving a person of 'personal liberty' and there is consequently no infringement of the fundamental rights guaranteed by Article 21, such a law insofar as it abridges or takes away any fundamental right under Article 19, would have to meet the challenge of that article". Also, any law relating to life and liberty under Article 21 must also satisfy the equality test of Article 14 and reasonableness is an essential element of the equality guaranteed under Article 14.

natural justice

Procedures prescribed must satisfy the test of natural justice. The principles of natural justice will apply, not merely to any judicial or quasi-judicial inquiry and function, but to any administrative inquiry. This is essential to ensure justice and prevent miscarriage of justice. This must now be taken to be settled law and "*even in an administrative proceeding, which involves civil consequences*, the doctrine of natural justice must be held to be applicable" (emphasis added).

This doctrine has two facets or rules: The first is *nemo debet esse judex proprie cause* or no one shall be a judge in his own cause. The second is *audi alteram partem* or no decision shall be given against a party without affording a reasonable hearing. While this latter rule could not be imported to the extent of paralysing administrative processes or preventing prompt actions in public interest by the administration "it must be remembered that this is a rule of vital importance in the field of administrative law and it must not be jettisoned save in very exceptional circumstances where compulsive necessity so demands. It is a wholesome rule designed to secure the rule of law and the court should not be too ready to eschew it in its application to a given case". The person affected (by any quasi-judicial or administrative decision) must have a reasonable opportunity of being heard and the hearing must be a genuine hearing and not an empty public relations exercise.

Though the Passport Act, empowering refusal of passport or impounding does not contain specific provision incorporating this rule, the law must be held to include this salutary principle and should be so read. The central government hence was wholly unjustified in withholding the reasons for impounding the passport from Mrs Maneka Gandhi. But the grounds have been disclosed in the court, the Attorney-General has conceded this position, and has agreed that the government would receive representations from the petitioner and give a hearing within two weeks, would deal with the matter expeditiously, and would not impound the passport for any unreasonable period (time limit of six months was indicated). Hence the majority said no formal orders need be passed in the case, with C.J. Beg dissenting.

The powers given to the passport authority, and the central government, to impound or withhold passport 'in the interests of the general public' was not unguided or unfettered and hence reasonable. But the exercise of the power in each case could be tested to determine whether it had been done arbitrarily.

In testing laws or decisions of the state on their impact on fundamental rights, the direct and inevitable effect of such law or decision on the rights should be the test to be applied by courts.

fundamental rights

The fundamental rights guaranteed to citizens, unless expressly stated in the Constitution to have territorial limits, should be taken to mean that they are extra-territorial too in the sense that the citizen's right to enjoy them, inside or outside the territory of India, should not be interfered with by the Indian state by actions taken by it.

The guaranteed right to freedom of speech and expression carries with it the right to gather information as also to speak and express oneself at home and abroad and to exchange thoughts and ideas with others not only in India but also outside. Therefore freedom of speech and expression guaranteed is exercisa not only in India but also outside. St action taken within India could preve or restrict the exercise of these righ such as when a journalist is prevented law or executive order from sending despatch abroad. Such an action mu hence stand the test of Article 19(2)

There are no geographical limitatio to freedom of speech and expressi guaranteed under Article 19(1) (a) a this freedom is exercisable not only India but also outside and if state acti sets up barriers to its citizen's freedom expression in any country in the world, would violate Article 19(1) (a) as much if it inhibited such expression within t country. On a parity of reasoning th would also apply to the fundamental rig to practise any profession or to carry any occupation, trade or business guara teed under Article 19(1)(g).

inevitable effect

The direct and inevitable effect of order impounding a passport may, in given case, be to abridge or take aw freedom of speech and expression or t right to carry on a profession and whe such is the case the order would be inv lid unless saved by Article 19(2) or Ar cle 19 (6). Though the right to go abro is not a fundamental right guaranteed Article 19 the denial of the right to abroad may, in truth and effect, restri freedom of speech and expression or fre dom to carry on a profession so as to co travene Articles 19 (1) (a) or 19 (1) (In such a case, refusal of passport impounding it would be invalid unless could be justified under Articles 19 (2) 19 (6). Any order (relating to a passpor in the interests of the "general public" r sulting in violation of freedom of speec can only be made if it is in the interests 'public order, decency or morality'.

While the impounding of the passpo of Mrs Maneka Gandhi at present ha only prevented her from going abroa "if at any time in the future the petition wants to go abroad for the purpose exercising her freedom of speech and e pression or for carrying on her professio as a journalist and she applies to t central government to release the pas port, the question would definitely ari whether the impounding was reasonabl

If the impounding would violate her freedom of speech and expression or profession, it would not be saved by Articles 19 (2) or 19 (6) if the impounding was for an indefinite length of time. For this would be unreasonable.

Mr Justice Krishna Iyer's concurring judgment, which has many passages that government and its officers should carefully read has something to say about how 'interests of the general public' have to be viewed in relation to individual acts. Family planning programmes, he notes, are in general public interest, but that could not be a reason to insist upon a sterilisation certificate before issuing a passport! Liberty listed could be curtailed and the restriction saved only if they are "directly, specifically, substantially and imminently attracted''.

far-reaching repercussions

The judgement will have far-reaching repercussions on innumerable laws affecting the freedom guaranteed in Article 19, and the way the administrative authorities now use the powers of those laws (even if reasonable), behind the backs of the citizens, without hearings, on the basis of intelligence reports or other views of those powerfully placed, and for extraneous collateral purposes.

Two examples in spheres allied to foreign travel might be pointed out. The Foreign Contributions Act and Regulations have conferred wide powers on the state to prevent foreign contributions, foreign hospitality to Indian citizens travelling abroad and other such matters—in the interests of security of the state etc. But it is all administered now without sufficient guidelines, and even arbitrarily, in permitting one academic or politician or journalist or trade union leader to go abroad to attend a conference or receive a contribution while refusing permission to another. This would hereafter be plainly illegal. Section 80 RR (a) of the Income-tax Act contains a provision enabling the government to give partial relief to an Indian employed abroad for short periods and receiving foreign income from the rigours of Indian Income-tax. This power is now being used for some collateral purposes: ensuring the quality of the technicians going to developing countries and preventing brain drain to developed countries. Even if these are laudable they have no legislative sanction and hence both are arbitrary and contrary to Articles 19 and 21. These are just two examples but there will be myriads in the domestic sphere too.

* *

This was Janata's first republic day. And the Janata impress was left on almost every activity.

First we had the usual eve of the Republic broadcast by the president, Mr Neelam Sanjeeva Reddy, on the evening of January 25. Traditionally, in our Republic, while the government drafts the president's address to parliament, presidents have drafted their Republic Day broadcasts. Keeping in mind the occasion, the broadcasts have been non-partisan and addressed to the nation as a whole. But while presidents have drafted their own speeches for the broadcasts, they have always sent a draft text in advance to the prime minister. But from Nehru to Mrs Indira Gandhi, no prime minister has interfered with the president.

This time, Mr Sanjeeva Reddy did not send an advance copy of the draft to the prime minister. The speech in a sense entered into partisan politics and contained some minatory warnings against agitations and the like. Incidentally, the Janata's election manifesto spoke of assuring "the right to peaceful and non-violent protest". The president warned of "swift and stern action" against anyone "acting in a manner prejudicial to the national interest" etc. Though such language has always been used in the past to down any inconvenient protest and agitation, Mr Reddy's remarks can be passed over considering that his government, in the last year, has so far demonstrated no great will to govern.

But Mr Reddy went on in another place to say: "Not even during the times of Ashoka nor Akbar was India politically one. To our good fortune the Britishers with their might and skill moulded us into one large political entity...."

After the advance text of the speech was distributed to the press, several people it would appear called up the prime minister and his office to express their protest. It was found in this process that within the president's secretariat itself there had been some doubts expressed about the appropriateness of the president's reference to the British welding the country into one political entity. But Mr Sanjeeva Reddy appears to have brushed them all aside. However after the prime minister had sent for a copy of the speech and looked at it, he would appear to have had a massage conveyed to Mr Reddy that the prime minister would find it difficult to defend the president's remarks. Mr Desai himself apparently did not directly speak to the president—perhaps his way of conveying his feelings at Mr Reddy not having had the courtesy of sending an advance copy to the prime minister at the draft stage. Anyway, a correction was sent out from Rashtrapati Bhavan, deleting the words "to our good fortune".

parading pomp

As for the Republic Day parade itself, we had all the paraphernalia, including the president driving in his coach and six (remember the much ado at the time of the president's opening of parliament last year when the Janata spoke of doing away with pomp and the vice-president acting for the president driving in a Rashtrapati Bhavan car?) The Republic Day being the first one after the emergency and the tensions of that period, it was a relaxed gala affair. But within the Janata cabinet there has been division on having the parade as part of the Republic Day celebrations. Some of the ministers have been advocating that the military parade could be held separately on an Armed Forces day and the Republic Day should be a people's affair without military might. But those who want the parade to be abolished on Republic Day proved a minority.

The festivities came to an end on January 29 with the traditional colourful massed bands' display at Beating Retreat. The prime minister, sprightly at 82, was there first and 'received' the Defence minister who came a few minutes late! And then came the president, in his coach and six, and after he had got down, and was about to take the salute, arrived the Home minister, Mr Charan Singh, Health minister, Mr Raj Narain, and several others, marrily waving to the crowds from their cars. From the press stands it was not clear whether the president received Mr Charan Singh and Mr Raj Narain!

And that is how the 28th year of our Republic began.

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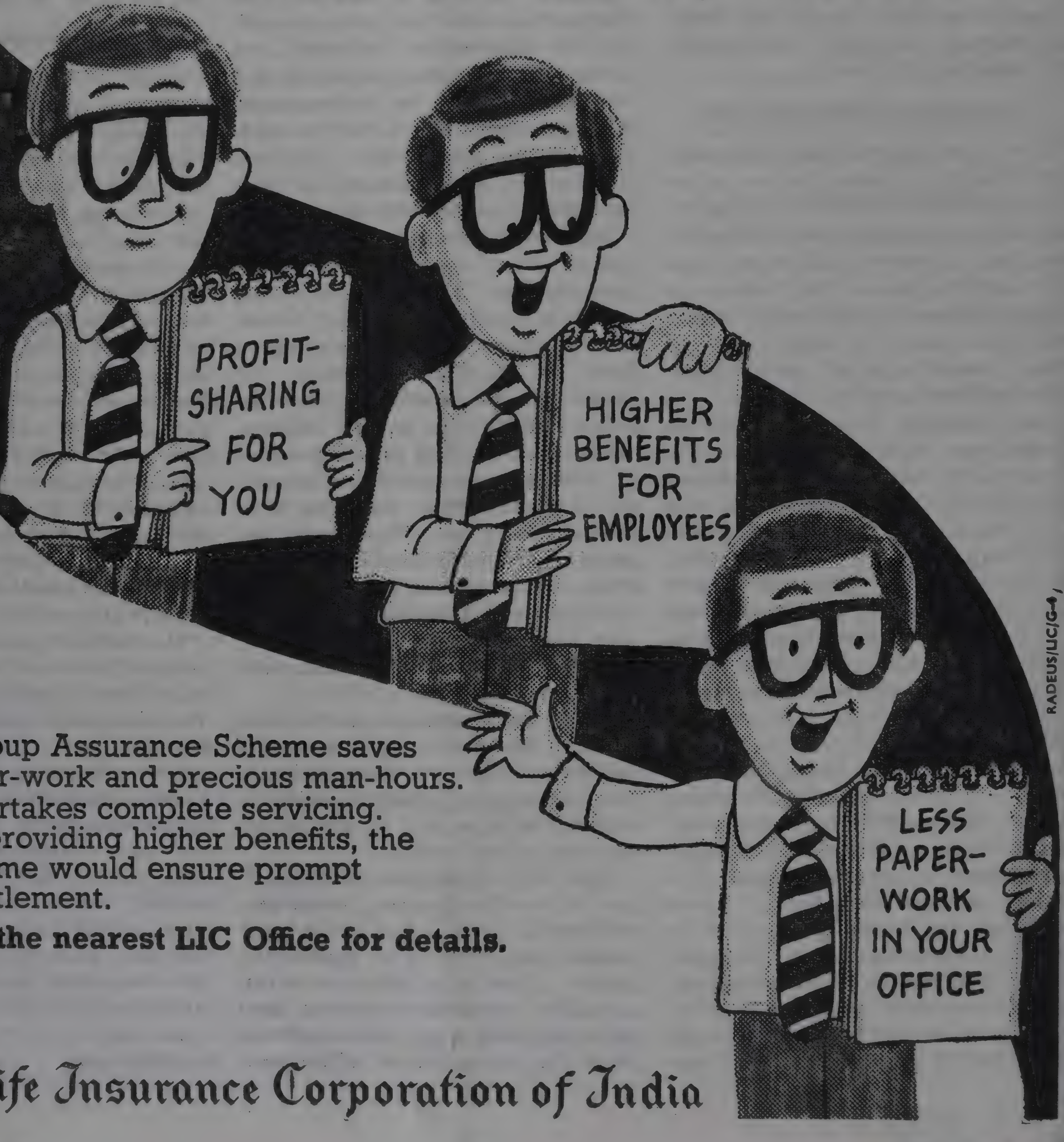
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Policy framework for broadening capital market

James Raj

Delivering the A. D. Shroff Memorial Lecture in Bombay on January 19, Mr James Raj, chairman Public Sector Banks Committee and formerly chairman of the Unit Trust of India, said that as the economy develops and the scale and range of goods and services produced expand, there is need for a corresponding increase in invested resources. The central problem of our development strategy thus is to ensure the flow of savings into the capital market. He made suggestions for modifying the inhibiting factors for a proper functioning of the capital market. The text of the lecture is given below.

I DEEM it a great honour to have been invited to deliver the A.D. Shroff Memorial Lecture this year, and I must express my heartfelt gratitude for it to the Memorial Trust, particularly to its eminent chairman, Mr N.A. Palkhivala. I had the privilege of dealing with Mr Shroff on a few business matters many years ago when I was an official of ICICI, and I was much impressed by the sharpness of his intellect and the ease with which he grasped the implications of any investment proposal. Having had some exposure to his overall economic philosophy, which has inspired me greatly, I consider it highly appropriate that the views which I am going to put forward to this distinguished audience today will also be associated with his memory.

My involvement in capital markets, both as theorist and operator, in India and abroad, has led me to a firm belief that a broadbased and expanding capital market is absolutely essential for any developing country which has chosen a mixed economy in preference to a completely state-run one. The capital market brings together the savings of the community and the demand for capital by the units which produce goods and services. It seems to me self-evident that as an economy develops and the scale and range of the goods and services produced by it go on expanding, it will need a corresponding increase and diversification of its invested resources which of course presupposes an increase in the overall volume of savings. This proposition is independent of the relative role of the public and private sectors in the production of goods and services. Both sectors have to draw on the same pool of savings, and both depend on it for their growth.

Thus the central problem is to increase the volume of savings and also to ensure that savings flow into the capital market. Obviously not all savings need necessarily flow into that market, since they can be embodied in durable consumption goods such as passenger cars, refrigerators and airconditioners, not to mention gold ornaments and silver vessels. Moreover, savings can be used directly by the saver for investment in productive facilities—as an agriculturist does when he digs a well or installs a pumping set—and for buying a flat or a house.

POINT OF VIEW

I shall try in this lecture to describe the policy framework within which the capital market functions at present. I shall examine concurrently the extent to which that framework tends to inhibit the maximum possible growth in the volume and diversity of savings flowing into the capital market, and the absorption of those savings by the public and private sector units which are engaged in the production of goods and services for the community. In the light of this examination, I shall then make some suggestions for modifying the inhibiting factors, so as to build up a more broad-based capital market.

In describing the policy framework as it exists at present, one can best conceive of it as a series of concentric circles surrounding the capital market proper. The first circle would comprise policies with respect to the money market and monetary problems generally. The next circle would consist of certain aspects of industrial policy. The last and outermost circle would be an amalgam of certain basic attitudes towards economic policy and administration. As I shall proceed to show, all these concentric layers of policy do not have the same degree of impact on the capital market, but they do set limits to what one can conceive of as a new policy framework for that market.

government's responsibility

I would like to make it clear at this point that I do not lay the responsibility for any of what I have called "layers of policy" entirely on government, subsuming under that term all the authorities who participate in the decision-making process with respect to the capital market. Even an omniscient and omnipotent government has to take into account what the public will put up with, and at what stage it will get restive and revolt. Economic policy is not made in a vacuum.

For purposes of exposition, I shall start with the outermost layer of policy and work through the others till the central core of policy with respect to the capital market is reached.

Taking up for analysis basic attitudes towards economic policy and administration first, the striking thing about our country is the all-pervading mistrust of the market mechanism, and the firm belief that all prices can be controlled by administrative fiat. As a very senior economic administrator once put it to me, the market mechanism merely means rationing by the purse instead of by need, and prices can and should be controlled by administrative action so that the basic goods and services can be made available to the public by rationing if necessary. Both our authorities and our public share these beliefs, so that there is not much point in trying to alter the policies which flow from them. As a matter of passing interest, however, neither the Soviet Union, which in addition to comprehensive rationing arrangements runs shops where scarce goods are sold at what we would consider black market prices, nor most Latin American countries, which make perfunctory attempts to control prices but rely more on increasing incomes by inflation to enable people to pay higher and higher prices, subscribe to our creed.

two-fold significance

The operative significance for the capital market of the mistrust of the market mechanism and the firm belief in price controls is two-fold. Firstly, in the foreseeable future we have to take it for granted that commodities which by some stretch of the imagination can be deemed to affect the cost of living will be subject to price controls and that prices will be allowed to fluctuate freely only in very peripheral sectors of the economy which mostly cater for the affluent classes, subject of course to excise duties which will rake off most of the profits for the exchequer. Hence investment in the equity shares of practically all industries will have an element of chance built into them. Secondly, affecting the capital market directly, the fact that the prices of equity shares with growth potential show spectacular rises now and then will be viewed with deep suspicion and attempts will be made to dampen them down by dividend limitation, which indeed is a plank in the Janata party's economic policy.

Although I am generally of the view that people will only believe what they want to believe, I cannot refrain from making a few remarks on dividend limitation. If dividend limitation is imposed, the only people affected are those who hold high-dividend shares at that particular moment of time. Some of them may have bought the shares only a little while earlier at a considerabiy higher price than the face value, so that a dividend limited to say even 15 per cent of face value may end up as a five per cent yield. Moreover, not all such persons caught by the music having stopped are necessarily bloated capitalists. Leftists may find this hard to believe, but quite a large number are middle-class people, including the proverbial widows and orphans. As an aside, I have been trying for many years to convince my sophisticated stock market friends that they would do well to agitate for putting all equity shares on a "no par value" basis, so that dividend rates would reflect the true returns on a share, but they have never reacted favourably to my suggestion.

I now come to the next set of policies, namely those relating to industries. There is now a new industrial policy which lays greater emphasis on small-scale industries and the so-called "tiny sector", but since these sectors of industry rarely draw on the capital market for their needs, they may not affect the demand for funds in that market to any significant extent. A single fertilizer project which might cost Rs 150 crores to set up under present circumstances is equivalent to literally thousands of small-scale and "tiny" units. It is therefore industrial policy towards the large and medium units which counts as far as the capital market is concerned.

foremost aspect

The first and foremost aspect of industrial policy which has a bearing on the capital market is the extent to which the public sector will be encouraged to grow either by nationalization and management take-overs by government of existing concerns, or by the establishment of new public sector units. The past record on nationalization and management take-overs has not been such as to enthuse the affected shareholders and creditors. When banks were notionalized in 1969, reasonable compensation was awarded to the shareholders. In certain cases, mergers of the residuary banking companies with industrial companies even led to an improvement in the position of the erstwhile bank shareholders.

By way of contrast, the shareholders of Indian Iron, after its management was taken over, have suffered just as much as from an inefficiently run private sector company. In the nationalization of coal companies, compensation was assessed on such a basis as to result in considerable losses to shareholders. No wonder any investor who has his money in equity shares begins to worry as to what might happen to him in case the concerns are nationalized. At every annual general meeting of electricty-generating and distributing companies there are any number of anxious shareholders who ask the question as to what would be their fate if the concern were to be nationalized. No chairman is ever able to give a satisfactory answer expect to express the pious hope that nothing may happen.

public sector units

The establishment of new public sector units is also bound to be undertaken on an increasing scale. The West Bengal government after a brief period of discussion with the larger Indian industrial houses as well as multi-nationals, seems to have now decided to opt for a spectacular growth of the public sector, involving around Rs 300 crores of investments. The production of LPG from Bombay High and new public sector fertilizer units, which the central government is interested in, will absorb several hundred crores of rupees as project costs. Nothing on these spectacular lines is in the offing in the private sector so far as new projects are concerned, although FERA companies which are bringing down the foreign percentage shareholding by issuing additional equity capital will generate some new investment. The overall effect on the capital market will be that there will be a considerable draft on the funds flowing into it, but largely for the use of the public sector.

I have already referred to price controls. Apart from the motivation of controlling the prices of articles of mass consumption, price controls will also continue in order to provide government with essential inputs for building up its public sector units so as to limit the budgetary costs of such projects. Hence price controls on cement and steel are bound to continue. In order to reconcile this system with the need for the financial viability of such industries, in which the public sector now has a large stake, there will probably be a considerable extension of the dual pricing mechanism. I am sure our government economists will devise many refined variants of this system-differentiation between old and new units, geographical discrimination, variations in the proportion of output going to the free market etc. As this audience is surely aware, the dual pricing mechanism has some other advantages also, from the point of view of the management groups which run the units concerned.

There are many other aspects of policy relating to industry, notably pertaining to management-employee relations and the nexus between wages and productivity, which have an important bearing on the growth of industries and their productivity, which in turn affect the growth of industries and their profitability. I am deliberately refraining from dealing with such matters in this lecture, not because they are unimportant, but because they affect not only the capital market, but the future course of our entire economy. Moreover, the whole subject of the contribution of labour to industrial growth and profitability has political overtones which I have no competence or desire to deal with.

money market

I now come to the layer of policy which is only one remove from the capital market proper, the money market and monetary policy in general. The central plank of monetary policy will, I think, continue to be anti-inflationary because our urban public gets frightened at even a 20 per cent annual rise in prices, which Latin Americans take in their stride. Anyone who saw the *morchas* and demonstrations in Bombay and Calcutta in February-March 1974 would appreciate what I mean. Since the tradition among our economists is to contain inflation mainly by restraining aggregate monetary demand, we may expect a continuance of tight money conditions, high interest rates and impounding of additional incomes.

Having dealt with the outer layers of economic, industrial and monetary policies which affect the capital market I now come to the policy framework within which the capital market proper currently operates. On the demand side the constraints are very clear-cut. So far as the private sector is concerned, before any significant issue of capital can be made, be it in the form of debentures, preference shares or equity shares, the amount, terms and timing have to satisfy the Controller of Capital Issues. It is not necessary to spell out to this audience the detailed regulations in this regard.

project finance

I am neglecting in this connection the loans granted by long-term financial institutionsf or project finance, because these loans are not negotiable instruments except to the extent that participation certificates based on them are created by the banks and marketed in large blocks. As regards governmental and public sector demand for capital, this again is subject to verious constraints in which the Planning Commission, the administrative ministry concerned and the Finance ministry all have a say. The fundamental basis of these constraints is that capital being scarce, access to the capital market should only be permitted on some judgment by government as to how much of it and on what terms such access should be allowed.

On the supply side the position is more complex. Obviously the supply of capital, except to the extent that government generates surpluses in the course of its operations, depends on the savings of individuals. Since government makes the largest draft on the national resources for capital, the result is that current capital market policies have been framed essentially to attract from the public the required amounts of funds to be pre-emptively channelled to the public sector. The method by which this is done is to attract funds to banks, financial institutions and provident funds, and to make sure that these in turn are under obligation to invest a specified minimum percentage of these funds in securities designated by government. Following the nationalization of the bulk of the banking system in 1969, a specified portion of their deposit liabilities (currently 33 per cent) has to be invested in central and state government securities. This has led to an enormous increase in the availability of funds to the government at slightly less than six per cent interest. There are also other large institutions, of which the Life Insurance Corporation is the prime example, which are under obligation to invest a sizeable proportion of their accruing funds in government securities. The same is the position with respect to provident funds.

The result of this captive supply of capital to government is that there is now a considerable hiatus between the interest rates on government securities and the interest rates on industrial debentures. I am not pretending that unguaranteed debentures are as safe as government loans, but surely it is untenable to claim that in the present conditions a negotiable 10½ per cent debenture issue by a Tata or Mafatlal company is so much more risky than a government loan that there has to be a differential of 4½ per cent in the interest rate.

the rationale

When I once asked a former governor of the Reserve Bank about the rationale of this kind of differential, he informed me that since most government projects do not even make four per cant on their capital employed, government could not afford to pay more than six per cent. The other argument he put forward was that any increase in the rate of interest on government loans would lead to depreciation of their value and involve the institutions which hold them in considerable accounting losses. These are valid arguments up to a point.

The other policy constraint which affects the supply of capital going into any negotiable financial instrument other than government securities relates to the taxation policy on the income and wealth derived from such instruments. Except for cer-ain favoured investments such as units of the Unit Trust of India, which at one remove really constitute a mix of debentures, preference share and equity shares, the taxation policy is loaded against equity shares. While every effort is made to attract savings by increasing the rate of interest on debentures and pushing up the dividend rate on preference shares, the return on equity shares even notionally is considered as rating only one per cent above the return on preference shares. Any investor, big or small, has to contend with deduction of tax at source on the dividend from equity shares. This of course applies to preference shares and debentures also. But it does not apply to interest on bank deposits or units of the Unit Trust of India. Moreover, the liquidity of equity shares is impaired by regulations governing the period up to which they must be held to qualify for capital gains tax rather than income-tax. A subscriber to a new equity share which may take several years to yield any dividend is given no incentive whatsoever by way of tax concessions. The list of disincentives is long and there is no point in repeating them here.

antipathy to equity

I have often tried to probe as to why there is this remarkable antipathy towards equity shares not only on the part of the authorities but also the non-investing general public. The impression I have got is that most of this antipathy is due to the feeling that since control of companies depends on the voting strength conferred by equity shares it is only the large and powerful families which are interested in increasing the return from them. This is of course only partly the truth, and I know of many cases where members of the families of large houses make every effort to bring down the prices of the share on the crucial date for preparing their wealth tax returns. Moreover, anybody who thinks that it is only the return on their equity shareholding which motivates the large houses to try to control companies is barking up the wrong tree. There are many other ways of shaking a company pagoda tree.

In the context of the policies towards the capital market that are in existence it is no wonder that the market is in complete disarray. New issues of equity shares of new companies hardly ever succeed in the market, and invariably the financial institutions which have underwritten them are landed with almost the entire issue. Non-growth companies with steady profits and dividends such as Ahmedabad Electric, ICICI, ACC and East-India Hotels and many of the tea companies are having their shares quoted on more than 12 per cent dividend yield basis. FERA companies which for the purpose of bringing down foreign shareholding to less than 40 per cent issue additional shares at a price considerably below the market quotation are finding it difficult to get their issues subscribed.

general conclusion

The general public seems to be gradually coming to the conclusion that rather than taking any undue risk it is better to be prudent and stay on more than 12 per cent basis even for companies with growth prospects. The fact that many growth companies are only on an average five per cent dividend yield basis, as for example Larsen and Toubro, TELCO, Century Enka, CAFI, etc does not mean much because there is always a group of investors who are interested in growth for purposes of income several years hence and their chances of getting this type of share are constantly thwarted by the fact that the public financial institutions are gradually soaking up the equity shares of such companies. Hence there is the phenomenon of too much money chasing too few attractive shares.

If the market goes on like this the day will come when institutions will not only be getting possession of the bulk of the existing attractive shares but will also come to control most of the companies concerned due to their right to convert their loans into equity. The shareholding public will therefore shrink perhaps not in absolute size but certainly relatively to the institutions. At the present time the managements of companies with a good track record of profits and dividends seem to have reconciled themselves to this state of affairs because the control which a well-informed and vigilant body of small shareholders exercises over them is replaced by desultory and spasmodic discussions with middle-level officers of the public financial institutions, interspersed with being nice to some of the nominee directors of these institutions. The stockbroking community has also turned its attention away from equities to company deposits, financial advice and switches of government securities.

I personally believe that this state of affairs if allowed to continue for some time will completely destroy whatever standing the equity market enjoys in our economic scene. But the situation has deteriorated so badly that it is now a question of getting at the roots of the present malaise and not merely one of a tax concession here or a development rebate there. I think the first order of business is for government to take a policy decision that it will fix the policy framework in such a manner that direct investments, be it in debentures, preference shares or equities regain their attractiveness as contrasted with bank deposits, LIC policies and subscriptions to provident funds which transfer larger and larger sums to the control of monolithic financial institutions.

increased savings

It is, of course, open to government to decide that it wants to centralise the bulk of investment decisions in its own hands and in effect to separate the saving decision from the investment decision, in other words to go on in much the same way as hitherto. But it is my firm belief that the total volume of savings can be considerably increased only if opportunities are created for the saving decision and the investment decision to be simultaneously taken by individual savers. One can never prove a statement of this kind but there are certain straws in the wind. Savers in the rural sector are notoriously conservative, but they have shown their willingness to invest in equity shares of such companies as Indian Explosives and Mangalore Fertilizers when stockbrokers took the trouble to go to their areas and explain the benefits they would get from the setting up of fertilizer projects there. The Unit Trust is getting good response to its efforts to sell units in the rural areas although the concept of units is extremely difficult to grasp for an unsophisticated investor. The mere fact that direct investment in agriculture by way of improvement in the production facilities of farms has gone up by leaps and bounds as proved by the sales of pumping sets and tractors is a pointer to the fact that when there is a tangible asset to be seen at the end of an investment decision the rural public will increase its savings.

To my mind we have strayed considerably from following a path which will lead to savings, preferring instead a consumer-oriented society. Business firms and manufacturers who originally operated in a competitive market have over the years through sophisticated market techniques succeeded in creating a sellers' market for their products. The lesson which we can derive from this is that instead of building up a consumption-oriented society which we can ill afford we should build up a savings-oriented society, using the same methods of marketing to popularise savings. This is the only sure way of stepping up our economic growth rate. But savings from the public will not increase and flow into the capital market unless there is created the confidence that the investing public can have a real control over the resources they have saved.

the modifications

Assuming that a more broadly-based capital market would be a desirable objective, what are the modifications of the policies affecting that market, either proximately or directly ? To this question I now address myself.

With regard to the fundamental basis of economic policy, that is to say mistrust of the market mechanism and the belief in price controls, no significant modifications are possible, but it is to be hoped that the manifestation of this attitude in the form of dividend limitation will at least disappear. I have already explained why dividend limitation is a bad idea; in any case, the equity shareholders bear the brunt of risk in any company, and it is essentially unfair to them to limit the return on equity shares. The higher the risk, the higher the reward. No one blames an air hostess for making ten times the salary of a school teacher, although both may have the same educational qualifications.

It is in the next layer of policy, that relating to industry, that I believe considerable modifications are desirable and possible. I refer especially to the policies which govern the rehabilitation of sick units, which at present generally get taken over by government and go on making losses at the expense of the exchequer. To anyone who is familiar with the systems operating in other countries, what is striking in this sort of government action is the inexplicable unwillingness to differentiate between the financial sickness of a company and the physical health of its assets. In many Latin American countries, for example, there is a rule that as soon as the equity capital of a company has been eroded by more than 50 per cent, that company should be compulsorily put into liquidation by the Company Law authorities.

alternative arrangement

This does not mean that the plant comes to a stop or that workers lose their jobs. As soon as the company is put into liquidation, efforts are made to sell it as a going concern to some other industrialist, who then puts up a financial reorganisation scheme whereby the present bondholders and equity shareholders are made to scale down their financial rights and relative preferential positions. Usually, within a few months the plants are working again with their financial burdens written down under new managements with a stake in the concern. In our country, however, in case after case we find that nothing is done about the financial reorganisation of the company—except to the feeble extent of some banks agreeing to scale down their accumulated interest—and the concerns to go on with the basic capital structure unaltered and with management which is an uneasy compromise between the old and the new. Instead of taking on such financial burdens it would be far better for government to sell the concern to a financial or industrial group, making sure tbat in any financial reorganisation the interest of the workers will not suffer.

The public sector can grow, not only by the takeover of existing privately owned companies, but also by the promotion of new projects. In this context also, there is nothing to prevent directing such projects much more to the capital market. Some years ago, Scooters India raised equity capital in the market. The Damodar Valley Corporation raised several crores of rupees through unguaranteed debentures with a 10½ per cent coupon rate. So did SICOM in Maharashtra.

government control

This kind of development can be fostered to a greater extent, without in anyway jeopardising the control of government over the companies or statutory corporations in question. As long as government controls over 75 per cent of the equity capital, the other shareholders can only expect a financial return on their investment, as the eight per cent minority sharholders of the State Bank of India do, but their presence will have a healthy effect on the management. In fact, government can consider marketing a minority equity shareholding in many of their successful concerns such as Shipping Corporation of India, State Trading Corporation and Hindustan Teleprinters. If the premiums on such shares are set as attractively as in the case of FERA companies, and the offers of sale are handled by experienced stockbrokers, quite considerable funds can flow into government's coffers and be utilised for financing new projects.

On price controls and dual pricing policies, intelligent manipulation can confer financial health on the companies affected by such policies. Without giving up the basic policies, government can easily streamline their administration so that the necessary changes in controlled prices and the proportion of the output allowed to be sold in the free market are effected expeditiously. This will contribute to making investment in such units attractive.

As regards monetary policy, it would be undesirable to make any fundamental changes in the present anti-inflationary policy. This is because without a stable currency which maintains its value over time, it is meaningless for people to be asked to save. However, an anti-inflationary policy is quite consistent with a lowering of the interest rate structure, provided credit is rationed and government does not rely unduly on deficit financing. There are of course inflationary pressures emanating from the generation of balance of payments surpluses which will also have to be contained, and one way of containing them would be to channel inflow from abroad into portfolio investment, at least by non-resident Indians and aliens of racially Indian origin. In any case, the lowering of the interest rate structure, despite other difficulties such as the adverse effect on the profitability of banks and long-term financial institutions, is at least a desirable long-term objective. In a stable monetary situation like the present, the growth of industry will benefit considerably from such a reduction. This may also pave the way for slowly bridging the gap between the interest rates on government loans and non-government debt instruments, which might even lead to a revival of public interest in subscribing to government loans.

detailed suggestions

On policy relating to the capital market proper, a number of detailed suggestions have been made by stockbrokers and other experts. Most of them are intended to improve the return on equity shares and to enhance the chances of issue of bonus shares. All these measures will no doubt be helpful, but the main modification of policy required to increase the volume of savings flowing into the capital market is to keep in view the importance of combining the savings decision and the investment decision, so as to give individual savers a stake in their investments. The suggestions which are made here stem from this basic objective.

As recommended by the Study Group on Term Loan Participation Arrangements under the chairmanship of Mr K.N.R. Ramanujam some years ago, term lending institutions can issue participation certificates directly to the public in denominations of say multiples of Rs 1,000, instead of leaving it to the banks to issue them in large denominations and to market them among themselues. Suitable measures may also be taken to impart a degree of liquidity to these instruments to enhance their marketability. In fact there are many other ways in which financial intermediaries can develop suitable financial instruments with different mixes of return, risk and liquidity.

important lacuna

On the same theme of mobilising savings for direct investment there is an important lacuna in our country as far as the provision of housing finance is concerned. It may be recalled that the Saraiya Commission in 1972 had noted that there are no countrywide institutions which combine regular saving schemes with the provision of housing finance in adequate amounts and on reasonable terms. A beginning in filling up this gap is being made by ICICI through its recently established Housing Finance Corporation, thanks to the energetic and persistent efforts of Mr H.T. Parekh during the last few years in the face of many discouragements and disappointments. It is to be hoped that steps will also be taken to create and develop a secondary mortgage market and to impart liquidity to housing loans so that the Housing Finance Corporation will have a reasonable chance of success.

Above all however there is no real substitute for making investments in the form of equities attractive to the saver and to provide a market for their conversion to cash when required. Here the role of stock exchanges is extremely important. By and large however the stock exchange fraternity has not been noticeably enthusiastic about educating the public regarding the nature and characteristics of equity shares and creating a broad market for them. In the conditions of the present time, most brokers are far more interested in making a fractional percentage turn on a few crores of rupees of government loan switches every few days than in developing a market for equity shares among the middle classes. Also let us not forget that it is far more easy to make a few thousand rupees on one speculative deal in the forward market—which exists although it is banned.

This brings me to the subject of reform of the stock exchanges. Among man middle class people, particularly the inte lectuals teaching in the universities, have found complete disgust about th way stock exchanges are functioning Much of this attitude stems from pur ignorance, but when phrases like "Den o Thieves", "Speculators' Paradise", "Gam blers' Heaven", etc. are used by intellectuals to describe the stock exchanges there is evidently some communication gap somewhere.

There is of course no question that several kinds of malpractices do exist in regard to share dealings. It is surprising for example that no serious steps have been taken in regard to insider dealings on our stock exchanges. I think the time has come to consider how best to imbue the public with some confidence in the working of these bodies and to spread more knowledge about what is now a highly esoteric business.

The end product of the policy framework which has been suggested here, consisting of modifications of the policies which affect the capital market both proximately and directly, will be a considerable increase in the overall transactions in that market. In the process, the dependence of government on pre-empting funds which would otherwise flow to the capital market will be considerably reduced, but public sector units, instead of depending on direct contributions by government or the public financial institutions, will be able to tap the market for their needs.

greater confidence

The private sector will be in a position to create greater confidence in its future growth and profitability and will attract more direct investment by the public, instead of having to go cap in hand to the public financial institutions. Since the demand for investment in a growing economy is practically unlimited there will be a great increase in the overall volume of negotiable financial instruments, and a broadening and diversification of such instruments. The number of private savers-cum-investors will increase, and they will become more and more knowledgeable about the statutory corporations and government and non-government companies in which they have invested, taking an intelligent and alert interest in their affairs.

Our voting masses who are generally believed to be ill-informed and swayed by irrational considerations restored political democracy in our country in a spectacular turnabout less than a year ago. It is now up to our economic and administrative elite, led by our statesmen, to follow up with the restoration of economic democracy, of which a broadbased and flourishing capital market is an essential component.

International sugar agreement: an analysis

R. S. Nigam

India is an important party to the new International Sugar Agreement and is interested in making the agreement broadbased, says the author who is head, Department ot Commerce, and director Delhi School of Economics. It therefore has cause for concern about EEC's reluctance, under pressure from the French sugar lobby, to join the agreement from the very beginning.

After world war II, both developed and developing countries have been concerned with orderly growth of international trade and for that purpose a number of mutual agreements have been entered into for ensuring regular supplies at reasonable prices to the importing countries, remunerative price and stable markets to the exporting countries, and regulating production in accordance with the demand and technological developments. Sugar is an important commodity for which there have been various sets of agreements like International Sugar Agreement, Commonwealth Sugar Agreement and various inter-governmental agreements for import and export of sugar. Through the efforts of the UNCTAD (United Nations Conference on Trade and Development) after extensive negotiations an agreement was reached in October 1977 between 72 sugar importing and exporting countries.

main outlines

This agreement is for a five-year term. Approximately 14 million tons of free market sugar, equivalent to 14 per cent of the world's total sugar production, will be regulated by this agreement. The main outlines of this agreement emerged in the first round of the talk in June last year; major economic issues which could go into the final package could not be resolved at that time.

The main objectives of the new International Sugar Agreement are two-fold: (a) To ensure that the consuming countries can obtain the supplies they need at a fair price on regular basis; and (b) To stabilize market prices between Rs 2100 approximately (£ 136) and Rs 4000 approximately (£ 261) per ton at the current rate of exchange. It has been the endeavour of this agreement to see that no country is forced to bear a disproportionate sacrifice and the criticism that some producing countries are being treated over generously, while others were being asked to contemplate very substantial export reductions have been avoided. However, in an over supply position of sugar, as it exists today and is likely to continue for the next five years unless immediate structural adjustments in production are effected, sacrifices by producing countries will be necessary if a better balance between supplies and estimated demands is to be achieved.

equality of sacrifice

In the new agreement, an attempt has been made to achieve equality of sacrifice among various sugar producing and exporting countries although some misgivings have been expressed by Brazil who has emerged as the biggest sugar producing and exporting country in recent years which has been allotted second highest quota, the first being Cuba whose exports to socialist countries such as the USSR, China and east European countries have been kept out of the agreement. Australia is somewhat unhappy over the third place which has been assigned to it in terms of export quota.

The new International Sugar Agreement has been designed to operate through the mechanism of reserve surplus and quota system and during negotiations there have been sharp differences between the exporting countries—Cuba, Brazil and Australia—over the export quotas allocated to them. In fact, at one stage these differences became so sharp that the very success of the negotiations became doubtful. But it was felt at the last stage of negotiations that the September conference was the last chance to achieve international agreement before the agreement expired and there would not be any time left for renewing the present International Sugar Agreement. Compromises therefore were effected between the major exporting countries. This was done to avoid a situation of free-for-all in international trade in sugar and it will take two to three years before another negotiating conference could be convened.

reserve surplus

Under the new agreement, a reserve surplus of 2.5 million tons will be set up, which will be held by national governments and financed from a sugar stabilization fund. This has become important in view of the fact that the UNCTAD has already accepted the commodities stabilization plan at its last conference and the sugar producing and importing countries have taken into account potential benefits of a common commodity fund which UNCTAD hopes to negotiate in the near future. Under this reserve scheme, importers will be subjected to a levy of Rs 47 approximately (£ 3) per ton of imports to ISA member-countries and exporters equivalent levy on exports to non-ISA countries. Certain poor countries of Asia, Africa and Latin America have been exempted and they will not have to make any contribution to this Fund. During negotiations, opinions on the size of the proposed sugar reserve stock varied from the low of two million tons to a high of three million tons but a compromise on intermediate figure could be reached. Allied to the question of the buffer stock is the method of financing to be adopted with agreed payments into a sugar stabilization fund, and under what circumstances cash from such a fund could be made available to exporting members. This has been the main reason for imposing levy and exempting poor countries.

Three equal parts of this stock will be released on to the market at specific price levels—one part when the world price passes Rs 3600 approximately (£ 235) per ton; another if the price rises to Rs 3750 approximately (£ 247) per ton; and the rest if the price reaches Rs 4000 approximately (£ 260) per ton.

Although the International Sugar Organization will monitor this reserve surplus and the fund mechanism it is doubtful whether they will achieve success due to the fact that international trade in sugar has been comparatively limited in terms of quantities to between 13 million and 15 million tons and the marginal changes in the market had an immediate impact. When that happened, price movement immeditately started and because the sugar trade was concentrated in few hands, they entered into speculation. Speculation is encouraged because of the large size of international liquidity due to petro-dollar pile-up, to finance all sorts of speculative transactions.

market share

Under the agreement, the basic export tonnage are market share of each producing country has been settled by working out detailed quota mechanism which will operate when prices are falling. Cuba, Brazil and Australia have been given the first three places in quota fixation. Quota mechanism will be in operation when the prices are falling. Export quotas will come into force when the price drops below Rs 2600 approximately (£ 173) per ton. These will be suspended if the price rises to Rs 2850 approximately (£ 185) per ton, further price rises being stabilized by releasing the variable stock described above.

Up to 1974, international sugar market had witnessed an unprecedented boom and the price went up to Rs 11000 approximately (£ 700) per ton. Since then due to over-production and over-supply position in the world market, sugar prices have been sliding down. The current world market price of sugar is approximately Rs 1500 (£ 92) per ton. An increase upto a floor price of Rs 2100 approximately (£ 136) per ton will inject approximately Rs 18000 million (£ 1150 million) into the world sugar industry. To achieve this, the exporting countries have agreed under the new agreement to restrict their exports by 15 per cent, plus a further 2½ per cent if this measure alone does not sufficiently raise the price. Australia, Dominican Republic, Thailand and Panama, whose exports account for more than 60 per cent of their sugar production will be excluded from the 2½ per cent restriction.

unfortunate delay

It is unfortunate that under the pressure of French sugar lobby, the EEC could not finalize its proposals, offers and presentations to the international conference in September 1977 well in time, and as such the nine EEC member countries (Belgium, France, Luxembourg, The Netherlands, Italy, Federal Republic of Germany, Britain, Irish Republic and Denmark) and the 47 ACP countries covered by the Lome Convention have not yet signed the agreement. It is expected that these countries which account for substantial production and exports will join the pact very soon. The reluctance and delay on the part of the EEC may also be attributed to the fact that the 22-member group of Latin American and Caribbean sugar exporting countries had in the beginning of September 1977 asked the European Economic Community to cut its sugar production and exports because the subsidized sugar industry in Europe had been proving too competitive for producers and exporters in the Third World.

It may be mentioned that this group produced 32 per cent of the world sugar and accounts for 60 per cent of world exports. It is universally felt that the developing sugar producing countries should be allowed the chance of growing as much sugar as they could while the EEC should reduce its sugar production and concentrate on other commodities and sophisticated industrial products. It is also argued that the present prices are not likely to give fair returns for further investment in the industry and the subsidised sugar production of the EEC can be sold at price lower than the cost of production i developing countries.

The EEC explanation to delay in subs cribing to the new International Suga Agreement is mainly based on the com plicated decision making machinery an bureaucratic handling by national governments and community institutions. Th European Commission just before th International Sugar Agreement talks were due to resume in December 1976, proposed a negotiating mandate which involved a limitation on EEC exports, and a reserve stock; thus making possible th Community's immediate participation i the ISA. The Commission believes that it is vitally important for the EEC to become a party to this new agreement. Lack of agreement could result in endless competition between ISA member and non-member countries, leading to price speculation on a large scale. Also, the potential loss of customers for its three million tons potential sugar surplus could lead to large increases in stocks.

Community's duty

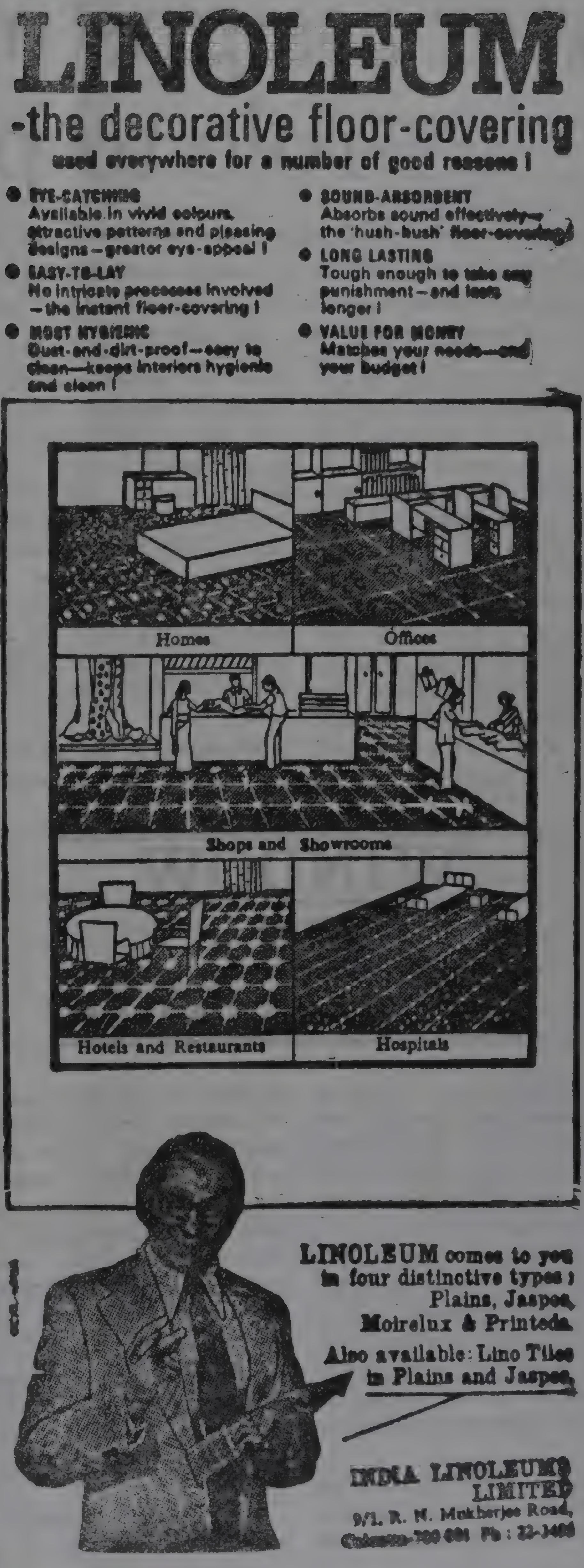
It is the considered opinion of the Commission that the Community has a duty to protect the interests of many developing countries whose political and economic framework rest, to a large extent, on sugar exports. To make available the preferential trading agreements on the one hand (as at the Lome Convention) whilst encouraging open competition on the other, is a contradiction in the commercial policy of the EEC and the Community, being the biggest economic entity in the world, should make every effort not to jeopardise the future international negotiation. It should be noted that the price range of approximately Rs 2100—Rs 4000 (£ 136—£ 261) per ton and agreed in the International Sugar Agreement compares with the EEC's basic intervention price of Rs 2600 approximately (£ 169.42) per ton basic quota. The community guarantees fixed price of Rs 2450 approximately (£ 160) per ton for imports from the ACP countries as against the present free market price of Rs 1500 approximately (£ 92) per ton. On this basis, EEC agrees that they are providing fairly high price for the poor 47 associated countries, the economies of most of whom re highly dependent upon sugar xports.

India is one of the party to the new nternational Sugar Agreement and as uch has a cause for concern about EC's reluctance to join this agreement rom the very beginning. It is hoped hat the EEC will expedite its decision and participate in this agreement ully. Efforts should also be made o persuade China, the USSR and east uropean countries to have some sort of nderstanding, if not full participation, ith the major sugar producing and exporting countries which may be in conformity with the basic objectives and bligations of the participants in the new nternational Sugar Agreement.

a step forward

It should be noted that sugar is one of the 10 key commodities identified at the 1976 UNCTAD Conference for special international action. This new sugar agreement represents a major step towards stabilising and guaranteeing prices to both importers and exporters of agricultural raw materials. It is particularly significant for many developing countries whose political, social and economic wellbeing depends, to a large extent, on foreign exchange earned from the exports of one or two primary crops. It is expected that unlike the old agreement, this agreement will be honoured in spirit and letter by all the participants.

The International Sugar Organisation should play a more active role in monitoring and surveillance of this agreement. The controversies like those between Japan and Australia should not be repeated under which Japanese exporters of Australian sugar have not only decided not to take delivery of the shipments already made but also are reluctant to find out mutually acceptable solutions through negotiations. It is hoped that the new agreement will contribute significantly towards promoting the new economic order and assure stable prices and market for the producing countries and also dependable sources of supplies at reasonable prices to the sugar importing countries.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Carter assigns major role to private sector

In his Economic Report to the Congress, the president of the United States has declared his intention to rely heavily on across-the-board tax reductions to create more jobs, stimulate investment and boost the economy. These are extracts from his address.

WINDOW ON THE WORLD

I AM proposing tax reductions and reforms to continue our strong economic recovery, to encourage increased investment by American businesses and to create a simpler and fairer tax system. I am seeking legistation to address the special problems of the disadvantaged and the unemployed. And I am taking new steps to combat inflation...

Last year more than four million new jobs were created in our country—an all-time record—and unemployment was reduced by more than one million persons. Output rose by almost six per cent and the benefits of this large increase were widely shared. The after-tax income of consumers, adjusted for inflation rose substantially during 1977. Wages of the typical American worker increased by more than the rise of the prices and business profits also advanced.

The American economy is completing three years of recovery from the severe recession of 1974-75. Recovery in most other nations has lagged far behind our own... Our inflation rate is also lower than in most other nations around the world... but much progress remains to be made...

The recession of 1974-75 was the worst in 40 years, and the susbtantial increase in output over the past three years still leaves the economy operating below its productive potential. We cannot be content when almost six and one-half million people actively seeking jobs cannot find work, when three and one-fourth million workers take part-time jobs because they cannot find full-time employment and when one million people have stopped looking for a job because they have lost hope of finding one. We cannot be content when a substantial portion of our industrial plant stands idle, as it does today.

We cannot be satisfied with an economic recovery that bypasses significant segments of the American people. Unemployment among minorities is more than twice as high as that among whites—and unemployment among minority teenagers is tragically high. Women have fewer satisfying job opportunities than men and older Americans often find their access to the job market blocked. Farm incomes have dropped precipitously....

Businesses are still hesitant in their long-term investment planning, and the stock market remains depressed despite the substantial increase in business profits.

The economic difficulties that we face in the United States also confront most nations around the world...The massiv escalation of oil prices since 1973 continues to impose great burdens on th world economy. Oil imports drain awa the purchasing power of oil importin nations and upset the internationa balance of payments...

Abroad, as well as at home, concern about the future have deterred busines investment in new plants and equipment As a consequence, economic growth has stagnated in many countries....

world-wide problem

The problems we face today are more complex and difficult than those of an earlier era. We cannot concentrate just on inflation, or just on unemploment, or just on deficits in the federal budget or our international payments. Nor can we act in isolation from other countries. We must deal with all of these problems simultaneously and on a world-wide basis....I have been guided by four objectives for our economy that I believe our nation should pursue.

1. We must continue to move steadily towards a high employment economy in which the benefits of prosperity are widely shared..... Over the next several years I believe we can increase our real output by four and one-half to five per cent per year and reduce unemployment by about one-half of a percentage point each year...

2. We should rely principally on the private sector to lead the economic expansion and to create new jobs for a growing labour force....

3. We must contain and reduce the rate of inflation as we move towards a more fully employed economy....

4. We must act in ways to contribute to the health of the world economy. As the strongest economy in the world, the United States has unique responsibilities to improve the international economic

climate. The well-being of the United States depends on the condition of other nations around the world. Their economic destiny is, in turn, shaped by ours....

The principal elements of my economic strategy are:

—Adopting promptly an effective national energy programme;...

—Managing federal budget expenditures carefully and prudently....

—Using tax reductions to ensure steady growth of the private economy and reforming the tax system....

—Working to reduce the federal deficit and balance the budget as rapidly as the developing strength of the economy allows;

—Improving existing programmes and developing new ones to attack the problem of structural unemployment among the disadvantaged;

—Promoting greater business capital formation....

—Adopting more effective programmes to reduce the current rate of inflation...as we approach high employment; and

—Pursuing international economic policies that promote economic recovery throughout the world, encourage an expansion of world trade, and maintain a strong international monetary system.

primary factor

The massive oil price increase in 1973-74 contributed to the double-digit inflation of 1974 and to the worst recession in 40 years. It is a primary factor today behind the large deficit in our international balance of payments. Yet the United States still has not enacted a comprehensive and effective energy policy.

Our dependence on imported oil is sapping the strength of the American economy. Last year our imports of oil reached a total of about 45,000 million dollars, compared with 8,500 million dollars in 1973. The increased expenditures on those imports have been like a sudden and massive tax imposed on the American people. Only part of the revenues have been returned to the United States in the form of higher exports of American goods to oil-producing countries. As a consequence, that "tax" has become a major obstacle to economic growth.

The huge deficit in foreign trade arising from our oil imports has contributed to the fall in the value of the dollar abroad. The dollar's decline has raised the cost of the goods we import and contributed to inflation. Our deficit also has unsettled international monetary markets, with adverse consequences for our international trading partners. Our response to the energy crisis is therefore a central element in our international, domestic economic policy. The energy programme will not solve our problems at once, but it will pave the way for a balanced foreign trade position and a strong and sound dollar....

The United States has no choice but to adjust to the new era of expensive energy.... If we act today, we have time to make a gradual transition to more efficient energy use — by conserving energy, increasing domestic energy production, and developing alternative sources of energy....

I look forward to working closely with the Congress early this year to assure a speedy resolution. An acceptable bill must satisfy the following principles:

—First, the programme must effectively reduce our consumption of limited energy supplies—oil and gas — while encouraging energy production and promoting a transition to the use of resources that are more abundant.

—Second, the programme must be fair. No segment of the population should bear a disproportionate share of the cost or burden of adjustment, and no industry should reap unnecessary and undeserved windfall gains.

—Third, the programme must be consistent with our overall economic strategy....

My administration has given high priority to making more effective use of limited federal resources. In fiscal 1976, federal outlays amounted to twenty two and one-half per cent of the nation's gross national product....

In formulating my recommendations for the 1979 budget, I have exercised very strict controls over spending. Adjusted for inflation, the increase in outlays has been held to less than two per cent and the share of federal expenditures in Gross

What Families will Save on Taxes

The following table, supplied by the Treasury Department, shows the income tax now paid by the average family of four in various income brackets, the savings they can expect after president Carter's proposals for income tax cuts go into effect, the increase in Social Security taxes they will pay next year and the net change in both taxes. The average family earning less than $10,000 will actually collect money from the government; some are net taxpayers, but those earning less than $8,000 are eligible for an "earned-income credit" that entitles them to "refunds" greater than their taxes paid. Tax rates even for families earning more than $100,000 will be reduced, but those people on average will end up paying more taxes because of various reforms that the president proposes.

(Value in dollars)

Income group	Present income tax payment*	Change under Carter's plan	Social security increase	Net S.S. & income tax change
Less than 10,000	9	—88 (refund)	16	—72
10,000-15,000	867	—278	30	—248
15,000-20,000	1,739	—278	48	—230
20,000-30,000	3,117	—337	115	—222
30,000-50,000	6,287	—308	192	—116
50,000-100,000	16,336	—248	232	—16
100,000-200,000	40,885	+202	268	+470
200,000 and over	127,666	+2,807	145	+2,952

Figures are averages for each income group. *Based on 1976 returns

—Courtesy: *Time*

National Product will fall to 22.07 per cent....

....Tax reduction will be the primary means by which federal budget policy will promote growth. Careful management of budget outlays and a growing economy should permit substantial reductions in the years ahead....

I am proposing a 25,000 million dollar programme of net tax reductions accompanied by substantial tax reforms.

Individual income taxes will be reduced primarily through across-the-board reductions in personal tax rates with special emphasis on low and middle-income tax payers. . .

tax reduction

Business taxes will be reduced by more than 8,000 million dollars in 1979 under my tax programme, offset partially by more than 2,000 million dollars in business tax reforms for a net tax reduction of nearly 6,000 million dollars. I have recommended that the overall corporate tax rate be reduced on October 1, from the current 48 per cent to 45 per cent, and be cut further to 44 per cent in 1980. I also recommend that the existing 10 per cent investment tax credit be made permanent, and that the benefits of this credit be extended to investments in industrial and utility structures.

These proposals do not include any adjustment to take account of congressional action on my energy proposals. I proposed last April that the Congress pass a wellhead tax and rebate the proceeds of that tax directly to the American people.

These tax reductions are essential to healthy economic recovery during 1978 and 1979. Prospects for continuation of that recovery in the near term are favourable. Consumers have been spending freely and many other economic indicators recently have been moving up strongly.

With the reductions in taxes I have proposed. . . the economy should grow by four and one-half to five per cent in both 1978 and 1979. . .unemployment would continue to fall and by late 1979 should be down to around five and one-half to six per cent. Capacity utilisation and after-tax business profits would both improve and thus the rate of investment in new plants and equipment should increase significantly. . .working to reduce the federal deficit and balance the budget as soon as the strength of the economy allows.

In order to assure that our economic progress remains on a solid footing and is not undermined by inflation, we must reduce the federal budget deficit and achieve a balanced budget as soon as the developing strength in the economy allows. . .

This year I have proposed budgets that call for a deficit of 62,000 million dollars in 1978 and one only slightly smaller in 1979. . .

In formulating my budgetary decisions thus far, I have been careful to avoid commitments that would make it impossible for us to balance the budget by 1981. . .

During the first two decades of the postwar period, the productivity of American labour increased at an average annual rate of about three per cent. Over the past 10 years, however, productivity growth has slowed marketedly—to abo two per cent or less a year.

The reasons for this break with pa trends are complex, but one factor th clearly stands out is the relatively slo growth in the stock of business plant an equipment. . .

My tax and other economic proposal will encourage a greater rate of busines investment in several ways. By promoting a sustainable rate of economic recovery, they will assure businesses of a expanding market for the output fron new factories and equipment. The specific tax reductions for business I hav proposed will increase after-tax profit and so directly provide additional incentives for investment. . .

We cannot achieve full prosperity unless we deal effectively with inflation We must take steps to reduce the high rate of inflation inherited from the past and to guard against a renewed outbreak of inflation as we regain a high-employment economy.

Our economy is not suffering at present from excess demand. . .

Recent experience has demonstrated

A Mixed Bag of Benefits

To spur economic growth, the Carter plan put more emphasis on cutting taxes than on reforming them. But the president did take aim at some individual and corporate tax breaks—including three-Martini lunch.

(Dollars billion)

Cut income-tax rates for individuals, grant $240 personal tax credit	—23.5	The "best bet" proposal
Reduce corporate income-tax rate	— 6	At the top of business's wish list
Broaden 10 per cent investment tax credit	— 2.4	Intended to boost capital spending
Eliminate telephone excise tax, trim unemployment-insurance tax	— 2	Relief for individuals and business
Limit some itemised deductions, including medical; end deductions for gasoline and state and local sales taxes	+ 5.8	Consumers groups may protest
Restrict individual tax shelters	+ 1	Closing a few fatcat loopholes
Limit business tax breaks, including foreign operations	+ 1.1	Al Ullman of Ways and Means says no
Limit travel and entertainment deductions by business, including meals	+ 1.5	Restaurateurs hate it; so does Ullman
NET TAX CUT :	$ 24.5 (Billion)	

Courtesy : *Newsweek*

that the inflation we have inherited from the past cannot be cured by policies that slow growth and keep unemployment high. Since 1975, inflation has persisted stubbornly at a six to six and one-half per cent rate—even though unemployment went as high as nine per cent and still stands above six per cent, and even though a substantial proportion of our industrial capacity has been idle. The human tragedy and waste of resources associated with policies of slow growth are intolerable and the impact of such policies on the current inflation is very small. Moreover, by discouraging investment in new capacity, slow growth sows the seeds of future inflationary problems when the economy does return to high employment.

important steps

Our first task in combating inflation is to guard against a renewed outbreak of higher price increases in the future. Firm discipline over the federal budget and a prudent monetary policy are the most important steps that can be taken. Programmes to attack structural pockets of unemployment among our people will make it possible to achieve higher levels of employment without exerting pressures on prices. Greater investment also will make a major contribution toward assuring that the capacity of our industry will be adequate to meet the needs of a high employment economy.

Enactment of an energy programme will eventually reduce the demand for oil imports—contributing to market conditions that discourage substantial oil price increases and combating the inflation that results from a decline in the exchange value of the dollar. The programmes I have inaugurated to build a 30 to 35 million metric ton grain reserve will provide a buffer against sudden upward movements in food prices in the event of bad weather.

Our second task—reducing the current rate of inflation—will be harder. Yet we must tackle the problem. Unless the inflation rate is brought down, the rate of price increase may well rise as unemployment falls to lower levels in later years, with consequences that would thwart our efforts to bring about full recovery.

The government, .. can play an important role in moderating inflation by reducing the effects of our own actions on prices. By adopting tax incentives and other policies to improve the growth of investment and productivity, we will help reduce the rise in costs and hence in prices. The exercise tax reductions I have proposed in May 1979 budget also will contribute moderately to lower costs and prices. . .

Government alone cannot unwind the current inflation, however. Today's inflationary process is largely the consequence of self-fulfilling expectations. Businessmen, expecting inflation to continue, are less resistant to cost increases than they might be, since they have come to believe that, with all prices rising, their own increased costs can be passed on to consumers through higher prices. Wage increases are based on expectation that prices will continue to rise. Wage gains in one sector spur similar demands in others.

Since the current inflation has developed strong momentum, it cannot be brought to a sudden halt. But we can achieve a gradual but sustained decleration—having each succeeding year's inflation lower than the previous one. A conscious effort should be made by those who make wage and price decisions to take the individual actions necessary to bring about an economy-wide deceleration of inflation.

voluntary programme

I am therefore asking the business community and American workers to participate in a voluntary programme to decelerate the rate of price and wage increase.

I recognize that not all wages and prices be expected to decelerate at the same pace. For example, where profit margins have been particularly squeezed, or where wages are lagging seriously, deceleration in 1978 would be less than for other firms or groups of workers. In exceptional cases deceleration may not be possible at all. Conversely, firms or groups that have done exceptionally well in the recent past may be expected to do more.

To enhance the prospects for success of this deceleration programme, I have asked that major firms and unions respond to requests from members of my administration to discuss with them on an informal basis steps that can be taken during the coming year to achieve deceleration in their industries. In reviewing the economic situation prior to making my recommendations to the Congress on the size of the pay raise for federal workers, due to take effect next October, I will keep this objective of deceleration in mind.

standard behaviour

This programme does not establish a uniform set of numerical standards against which each price or wage action is to be measured. The past inflation has introduced too many distortions into the economy to make that possible or desirable. but it does establish a standard of behavior for each industry for the coming year. Every effort should be made to reduce the rate of wage and price increase in 1978 to below the average rate of the past two years.

I have chosen this approach after reviewing extensively all of the available options. There is no guarantee that establishing a voluntary deceleration standard will unwind the current inflation. I believe, however, that with the cooperation of business and labour, this proposal will work. Deceleration is a feasible standard of behaviour, for it seeks restraint in wage and price actions in exchange for a general reduction in inflation. It is also a fair standard. Industries and workers with far different histories and current situations will not be asked to fit within the constraint of a single numerical guideline.

The inflation problem will not be easy to overcome. It will take time and patience. But the importance of these efforts cannot be overestimated. Unless we gain better control over the inflation rate, the prospects for regaining a fully employed economy will be seriously reduced. My administration cannot and will not pursue policies in the future that threaten to trigger a new and more virulent round of inflation in this conntry. To do so would be the surest way of destroying the hopes of our citizens for a long-lasting prosperity.

Ireland forges links with wider world

The president of Ireland, Mr Patrick J. Hillery, and his wife are on a state visit to this country. Mr Hillery is accompanied by the Foreign minister, Mr Michael O'Kennedy. This article describes Ireland's place and role in the EEC and also Indo-Irish economic and trade relations.

IRELAND BECAME a member of the EEC on January 1, 1973. Membership followed a long period of arduous negotiations which were led by president Hillery who was then Foreign minister. When agreement had been reached with the original member states on terms of entry the question was put to the Irish electorate. In a referendum in May 1972 more than four-fifths of the vote was in favour of entry to the EEC.

Ireland joined the Community for a number of reasons. Successive government have favoured European unity and the political and economic benefits which European unity has brought to the people of Europe. The bulk of Irish exports go to Britain and the other member countries of the Community and to stay outside the Community would deprive Ireland of an easy access to these markets. Membership of the Community would help to reduce Ireland's overdependence on the British market. The Community has adopted and pursued progressive policies towards the less developed countries and membership would enhance Ireland's ability to make a contribution to this process.

active participant

Ireland has every reason to be satisfied with its progress as a member state of the Community. On the political level Ireland has taken part in the evolving process of the EEC as a political entity. Trade has grown rapidly since accession to the EEC and Ireland has been able to diversify away from the British market. In 1974 Britain took 56.4 per cent of Irish exports. By 1976 this proportion had fallen to 48.8 per cent. In the same period the percentage of total Irish exports to the continental EEC countries grew from 25 per cent to 36 per cent. Membership has eased to some extent the impact of the recession and the agriculture industry in particular has benefited from the improved marketing conditions which the EEC offers. Irish growth expanded at a faster rate than the Community average and the outlook for 1978 is good.

important milestone

In the years to come the EEC will face many problems. Irish policy is to encourage a close economic and political unity within the Community and to persuade its partners to evolve instruments which will encourage the economic development of the less well off regions which include Ireland. The drive to give the European parliament a more powerful voice in EEC decision making will take a major step forward in the current year when members of the parliament are directly elected to the assembly. Ireland has supported this process and sees it as an important milestone in closer union. As regards third countries such as India, Ireland strongly supported the EEC scheme of project aid now in operation and has encouraged the growing cooperation between the Community and India. Ireland hopes for an outward looking EEC which will increase its internal expansion.

India's export trade with Ireland though small is well in excess of trade in the other direction and India enjoys a sizable favourable balance in its overall trade. Apart from the traditional export items—tea and tobacco—India has, in recent years, diversified its trade to include textiles and engineering products such as steel tubes. Irish trade includes items such as chemicals, medicaments and scientific instruments.

From figures over the last four years it can be seen that India has maintained a consistent trade balance in its favour and in 1977 the trend in the first eight months shows a substantial widening of the trade gap.

(Rs. million)

	1974	1975	1976	1977 (*to Sept*).
Irish exports	32.91	5.86	10.36	3.39
Indian exports	96.54	136.32	130.73	182.70
Balance in India's favour	63.63	130.46	120.37	179.31

CSO Ireland figures

Ireland's membership of the European Economic Community (EEC) has done much to improve the trading climate for India in the Irish market. Apart from tobacco and tea—the traditional export items—exports of semi-manufactured and unmanufactured good have more than doubled between 1974 and 1977 from Rs 15.42 million to Rs 41.21 million.

Unfortunately Irish exports have not matched the performance of Indian exports. There are a number of reasons for this. Food items which form a major part of Irish exports and the series of good harvests in India since 1975 have greatly reduced India's dependence on foreign food sources. In 1974 for instance, Ireland sold milk powder to the value of Rs 31.81 million to India but since then the food sales have been minimal. A further and equally important reason for India's favourable balance is the growing sophistication of India's industrial sector and the policy of import substitution which restricts the prospects of consistent sales of industrial products as opposed to raw materials and capital goods.

Ireland is, obviously, very anxious to arrest to some extent the imbalance in India's favour in its trade between the two countries. The present excellent foreign exchange position of the Indian economy gives India an opportunity to buy sophisticated equipment such as scientific instruments and products, chemicals for her own industry. It is in sectors like this that Ireland has much to offer.

MOVING FINGER

The prime minister's statement in Bangalore that he had no thought, whatsoever, of changing his colleagues and his forthright declaration that "they will change only when I get changed" have had a mixed reception. Not everyone has been impressed by the sacramental view taken by Mr Morarji Desai of his holy union with his fellow ministers. He, however, has a point. His remarks were made in the context of presistent rumours that the Finance minister would soon be leaving the cabinet. While speculation of this kind is always embarrassing or inconvenient to the minister concerned as well as to the government, the situation becomes particularly complicated when the budget is only a few weeks away. Mr Desai, therefore, necessarily had to scotch reports that he might be dropping the Finance minister. He also made use of the occasion to indicate that all the present ministers will enjoy complete security of tenure so long as he himself remained prime minister. This surely is a pragmatic approach for one in his position to take. Any attempt on his part to add to or delete from the council of ministers may certainly activate or energise the personality strains and the group tensions within the Janata party. It is only reasonable that Mr Desai should be reluctant to court this trouble, unless, of course, it becomes absolutely necessary that he should take risks with the precarious fellowship of the Janata Bosses.

I would readily concede, of course, that this is not an ideal situation. The composition of the present cabinet is far from satisfactory and there are more than a few inadequate individuals in it. Nevertheless, it is just possible that weeding them out could give rise to more problems than it solves. Perhaps what Mr Desai could do in these circumstances is at least to effect some reshuffling of portfolios. I am not going to mention names just now and I would only suggest that there are some programmes of the greatest national importance which need to be entrusted to ministers whose thinking is relevant to the needs and demands of those programmes. The prime minister owes it to the people to carry out at least this realignment of the business of government. If he does so it will be easier for the public to sympathize with the difficult position which he finds himself in with regard to effecting major changes in the composition of the cabinet.

The Supreme Court has lately been making history of sorts. When the "contempt" case against *The Times of India* came before a bench presided over by the chief justice on January 18, he observed that it should be adjourned to January 30 so that it could be heard along with another contempt case against the *Indian Express* posted for that date. His fellow judges on the bench, Mr N.L. Untwalia and Mr P.S. Kailasam, however, stated their view that the proceedings should be dropped at this stage. Mr M.H. Beg, nevertheless, insisted on the counsel for the editor-in-chief of *The Times of India* arguing the matter and, he said, thereafter, that he wanted to reserve his order. But, Mr Untwalia short-circuited the whole proceedings by dictating then and there his order, with which Mr Kailasam associated himself, dropping the proceedings. The chief justice then delivered a separate judgment saying that he was unable to agree with the majority view. The text of his judgment made it clear that what he was mainly concerned with was that he should have an opportunity to state his views on the controversy raging over the majority judgment in the habeas-corpus case decided during the emergency—a controversy which was at the base of the contempt proceedings.

It never rains but pours. For the second time in a week the chief justice, presiding over a bench, found himself delivering a minority opinion. The Maneka Gandhi passport case was decided on January 25. Three judges, Mr P.P. Bhagwati, Mr N.L. Untwalia and Mr Murtaza Fazal Ali, delivered the main judgment which, in its operative part, chose not to pass any formal order on Mrs Maneka Gandhi's petition or to interfere formally with the government's order impounding the passport, in view of certain undertakings given by the Attorney-General. The chief justice, in his minority decision, agreed that no formal action was necessary, but he also expressed the view that the impounding order should be quashed and the passport returned to Mrs Maneka Gandhi. Besides the three judges mentioned earlier, another three, viz., Mr Y.V. Chandrachud, Mr V.R. Krishna Iyer and Mr P.S. Kailasam, had also delivered judgments concurring with the main verdict. Without discussing in detail the respective merits of the judgments delivered on this occasion, I would suggest that the view taken by the chief justice in favour of quashing the government order impounding the passport seems a sound one. This however has not saved the chief justice from finding himself in a minority of one.

Mr Beg is due to retire later this month and the fact that, during the fag-end of his tenure, he could not carry with him on two occasions the bench over which he presided tells its own story and carries its own moral. This prompts me to say that, perhaps, Mr Justice Chandrachud and Mr Justice Bhagwati, whose names have got involved in the controversy over the habeas-corpus judgment and appointment of the next chief justice, may be doing a service to themselves as well as to the higher judiciary of the nation by publicly opting out of the succession picture.

VB

Civic leadership and socio-cultural milieu

Government and Politics of Big Cities—An Indian Case Study: Ali Ashraf; Concept Publishing Company, Delhi; Pp. 201; Price Rs 32.

Towards an Industrial Policy 2000 A.D.: P.D. Malgavakar and V.A. Pai Panandikar; Centre for Policy Research, New Delhi; Pp. 68; Price Rs 25.

Planning in India: Theory and Practice: V.T. Krishnamachari, Orient Longman; Pp. 191; Price Rs 15.

The Contents of Economic Growth (and other Essays): Bhabatosh Datta; Research India Publications, Calcutta; Pp 255; Price Rs 50.

Unemployment in India—Policy for Manpower: K. Puttaswamiah; Oxford & IBH Publishing Co., Pp 196; Price Rs 50.

Public Enterprise Investment Decisions in India: A. Besant C. Raj; The Macmillan Company of India Ltd; Pp 235; Price Rs 58.

Reviewed by **Academicus**

IT IS rightly said that urbanisation marks technological and economic progress. It is therefore widely recognised as an indicator of social change and modernisation. It is unfortunate that technological and economic progress however is not always matched by functional changes in social and political environment. When such a lag occurs, the natural consequence, as is too often observed, is unsatisfactory urban development and political disorganisation. The critical question therefore pertains to development of towns and cities into viable and active communities.

Government and Politics of Big Cities—An Indian Case Study is an excellent study by Ali Ashraf which seeks to focus attention on "the nature of local politics in three cities and its impact on their growth into a self-sustaining and problem-solving political systems". In more concrete terms, this study aims at analysing the performance of municipal governments in Calcutta, Kanpur and Ahmedabad. The author has made an attempt to understand the socio-cultural milieu of the above three cities, the evolution of municipal government and civic leadership, and their impact upon the management and performance of these municipal corporations.

The study is basically concerned with people's will and ability of the above-mentioned three cities to organise their civic life and bring about environmental improvements. The author found that "while the municipal government in Calcutta and Kanpur has been characterised by a definite bias against purposive and concerted drive towards effective planning and development, Ahmedabad municipal authorities have demonstrated a remarkable degree of competence in dealing with problems of civic improvement."

BOOKS BRIEFLY

According to the author, the key to an understanding of the municipal incapacity of Calcutta must be sought in the long and exclusive control exercised over the Calcutta municipal corporation by a social class and political party whose interests have run counter to the requirements of civic development. "The wide gulf between the city and its government, the dysfunctional social and political interests of municipal councillors, and the irresponsible and oligarchic nature of their regime are the crucial political factors controlling the outcome of Calcutta's civic administration." This system, according to the author, has facilitated the protection of parochial and particularistic interests of a small section of the people and led to the suppression of some vital issues in the sphere of civic administration. The Congress municipal party which controlled for long Calcutta municipal corporation concerned itself with the pursuit of political objectives at the cost of development. The party sheltered parochial interests and tried to promote party interests, rather than civic improvement. The left wing forces that emerged after independence fared no better.

squandered funds

The Calcutta municipal corporation did little to augment its finances and instead squandered its limited resources in patronage. The municipal bureaucracy was characterised by indiscriminate patronage and overstaffing. The municipal leaders and the oligarchic nature of their rule have made Calcutta corporation "a close preserve of a particular group unfit for wider civic responsibilities." In the face of such development and type of leadership in Calcutta municipal corporation, is there any wonder that there should be overcrowding, degradation of housing, health hazards, primitive water supply system, lack of space for industries, traffic bottlenecks, power shortages, still unsolved refugee problem? No wonder, an international team called Calcutta 'a city in crisis'. The team stated that "they have not seen human degradation on a comparable scale in any other city in the world." According to the author, the political environment lies at the root of Calcutta's malaise!

The auther found that the local political system in Kanpur is also characterised y immobility and sterility of its own. The various social and economic groups n Kanpur are separately engaged in heir own pursuits, and the city has not leveloped a moral, intellectual or politial force that could redeem it." The nerchants and manufacturers are preccupied with commerce and industry nd multiplicity of trade unions has horoughly disorganised the social and olitical life of the city. What is more, rban politics in Kanpur has been dominated by warring factions with strong inkages with state factions which are listinguished by leadership that is individualistic, castist and communal. All this as resulted in heartless exploitation of he municipal body for private benefits. No wonder, municipal servants have become highly irresponsible and defiant, apart from being highly corrupt and inefficient. A visitor to Kanpur is shocked by "most pestilentical drains, fermenting cesspools and gigantic piles of garbage mixed with excreta...surely it would not be correct to dignify by the name of 'Air', the substance one breathes here."

refreshing contrast

Ahmedabad presents a refreshing contrast to both Calcutta and Kanpur. Ahmedabad appears to have a tradition of modernity characterised by attitudes and skills associated with self-conscious control of social circumstances and physical conditions. The city is characterised not only by individual enterprise but also by an environment and ethos of social purpose and integration; public life is charecterised by a sense of community and political responsibility. The strong tradition of social work, pragmatic approach and strong commitment to self-government all distinguish municipal administration of Ahmedabad which may easily serve as a model for other cities and towns in India.

Municipality is said to be the training ground for democracy at the higher levels. It is therefore pathetic to read about conditions of municipal administration in Calcutta and Kanpur. It is however Ahmedabad which redeems man's faith in democratic institutions. The study of democratic institutions at the lower level is absolutely essential, if the matters are to be set right by suitable remedial measures. From that point of view, this excellent book by Ali Ashraf should serve as a model for similar studies of other municipalities and municipal corporations in India. Such studies would point out the essentials of good municipal administration. Attempts will then have to be concentrated on building national consensus on these issues. These are vital matters because in one sense municipal administration has a more vital bearing on the lives of people than even the state and central administration.

INDUSTRIAL POLICY

We are in the last quarter of the 20th century. Naturally certain problems pose themselves before perspective planners and statesmen. What should be the key policy objectives of India's industrial development? Is the existing framework adequate? Or should the present industrial policy framework be reexamined and be made subservient to the basic socio-economic policies so that the directions of the national movement are clear as India moves towards the 21st century?

The authors of *Towards An Industrial Policy 2000 AD* have rightly emphasised the objectives of future industrial policy as : (i) ensuring the minimum needs of the people, specially of the lowest 30 per cent, in regard to consumption, health, self-development and housing; (ii) developing production facilities and capacities in areas essential for national security and defence; (iii) building adequate exporting capacity to meet India's import requirements and debt-servicing charges; and (iv) creating a technological research and development base so as to be on a par in technological matters with other advanced countries of the world, and also to enable the country to make maximum use of the country's human and natural resources, existing and potential. In brief, according to the authors, the basic objective of future industrial policy of India should be "removal of poverty and attainment of self-reliance." The authors have worked out the framework of India's future industrial policy with the above objectives in view.

The authors have rightly emphasised that the critical prerequisites for successful industrial and economic development of the country are: population control and food production. The population estimates of India by the year 2000 AD range from a minima of 830 million to a maxima of 1035 million. If population can be contained within the above minima, the per capita income would almost automatically go up since the labour force would not be a constraint. Also, this would have profound cumulative impact on the country's future, radically changing the ultimate picture in country's favour. Also, with a population of only 830 million, food requirements would be 20 per cent less than if total population were 1035 million.

The study reveals that at the present rate of four per cent growth, the GDP of the country would be inadequathe to meet even the basic needs of the people by the end of the century. The minimum needs visualised at the rate of per capita consumption of Rs 20 per month for rural population and Rs 25 for urban population (at 1960-61 prices), if provided, would alone consume nearly 69 per cent of the GDP in the year 2000 AD. This implies that the rates of growth of the Indian economy will therefore have to be raised to and constantly maintained at between 6 and 8 per cent over the next 25 years, to give the country a reasonable chance to meet the various demands on the nation's economy and polity.

many implications

These assessments have many implications concerning rate of growth, direction of growth, methods, processes, institutions and organisational structure and skill formation and deployment that would enable the country to meet the various needs at lesser costs. According to the authors, this is no mean task because it implies concentration of our research and development efforts to have a breakthrough for meeting the minimum needs in regard to food, nutrition, clothing, shelter, education and health facilities.

The authors have suggested that India will have to take measures as did Japan to reduce the raw materials intensity in the final product. According to their estimate, a target of 50 per cent reduction of this type by the year 2000 AD seems feasible. Towards this objective, utilisation of wastes, scrap and by-products for greater effectiveness of raw materials will have to be encouraged.

Another crucial conclusion of the study is that nearly 150 million new jobs will have to be created during the next twenty-five years. This would mean that six million new jobs will have to be created every year until the end of the century. Even if it is assumed that only Rs 15,000 will be required to create one job, it would mean that investment of nearly Rs 9000 crores per annum will be needed for the next 25 years. This is truly a task of gigantic proportions and which appears, at any rate at present, beyond the country's capacity!

The industrial policy will have also to ensure production of various types of goods and services to keep in step with anticipated demands, failing which stresses and strains like shortages and surpluses of goods leading to hoarding and other malpractices or distress sales and layoffs appear inevitable. Taking the requirements in view of the next 25 years or so, the authors have suggested an industrial structure consisting of consumer goods at 25 per cent, intermediate goods at 25 per cent and basic goods at 47 per cent. This would imply a major thrust in the intermediate goods industries which will have to improve from the present 19.57 per cent to 25 per cent. The authors have not given details of production levels in specific industries as that would need further research and also because possible technological developments make long-term projections hazardous and unrealistic.

initial effort

According to the authors, the present study is only an initial effort to clarify policy objectives and broad parametric implications of the policy objectives.

The perspective plan for the industrial development for the next 25 years by the authors is very broad in nature and within the existing framework. Taking into consideration the incapacity of the industrial development since independence to meet the basic needs of the masses and also to solve the growing and menacing problem of unemployment, the authors should have thought of a totally new policy framework based on decentralisation of industries on the basis of available resource-endowment and human labour and requiring manageable per capita investment, instead of Rs 15,000 which they have assumed on the present basics. The authors should have sought Indian solutions to Indian problems. With a correct vision and dedicated efforts, rapid industrial development of the country aimed at meeting mass needs and making country self-reliant should not be beyond the capacities of the Indians.

PLANNING

The original version of *Planning in India—Theory and Practice* : by late V.T. Krishnamachari aimed at providing "a concise and simple exposition of the basics of Indian planning for a general audience." That book was well received as it provided to the students insights into the administrative aspects of a planned economy. In this new edition the stress is on planning models and the technical aspects of model-building. This was felt necessary in view of the development of various sophisticated techniques which are being introduced in planning since 1960s. But at the same time, needs of the general readers are not forgotten. The types of planning practised, changing administrative patterns with the process by planning and the progress of the different five-year Plans are all covered succinctly.

The author begins by showing how an underdeveloped economy is characterised by "a rigid dichotomy between the 'modern' and 'subsistence' sectors, underdeveloped capital markets, low per capita incomes and highly 'skewed' distribution of incomes, low productivity in industrial and agricultural sectors, the lack of basic amenities like water, housing and sanitation, an adverse man-land ratio with the rising pressure of population on land and other adverse factors." Naturally, the state appears to be the only organ capable of a coherent national effort to raise the standard of living of the people through the coordination of administrative decisions. Economic development of such countries can be brought about within reasonable time only through planning. Market imperfections, externalities and the stru ture of the economy all point to planni as the only and most effective instrume of rapid economic development of bac ward countries.

'open' economy

The author has explained the constit tional framework, and the role, structu and functions of the Planning Commissio in an 'open' planned economy like tha of India. Against the above backgroun the author has surveyed Indian plannin models. A number of people like Frisc Oskar Lange, Richard Goodwin, Ja Sandee. Rosenstein-Rodan, Max Millika Louis Lefeber, Arnold Harberger Richar Eckaus, I.M.D. Little and W.B. Reddawa have helped produce research models apart from official planning models. I is only since 1960s that 'foreign' model went into the background and officia models have predominated.

From 1960s onwards, the Plannin Commission produced perspective plan and materials balance projections whic revealed a depth of analysis not seen i the first and the second five year plans Input output and matrix analysis came into its own and the fifth Plan model attained a still higher degree of sophistication when it moved away from the 'investment' approach to defining a 'consumption' standard and then postulating investment requirements.

The author has made an attempt to show how the first five-year Plan had 'no theoretical scaffolding', and how it was only "a process of rationalising and coordinating various schemes into a coherent network". According to the author, it was "a highly verbose essay in platitudes". The Mahalanobis model which influenced the second Plan was also, according to the author, incomplete and defective. For example, in adopting Feldman model, the effect of foreign trade were overlooked, for the second Plan hardly makes mention of exports. "Strains on the balance of payments through imports of 'maintenance' goods were not built into the model." The employment output ratio envisaged never materialised; the forces governing volume of saving were not accounted for; and the presumption that the rate of income growth and opulation growth are independent of ach other is not borne out by empirical vidence. According to the author, "not he least of the criticism levelled against he model is the lack of an element of hoice.."

The logical framework for India's third Plan leaned heavily on the work carried ut by W.B. Reddaway who introduced he concept of backward planning i.e. 'working back of the plan dimensions in he light of a given demand in the final ear". He also stressed the need for ommodity balances to be included in the plan framework. In the backward planning analysis, intermediate relations are ssumed away and only terminal year relationships between demand and output are considered. This is consistency model.

sectoral balance

The official formulation of India's fourth Plan framework recognised the need for sectoral balances, backward planning at specific intervals and a definitive treatment of exports.

The fifth Plan is unique in that, for the first time, according to the author, the concerete objective of providing a minimum level of consumption for the bottom 30 per cent of India's population has been laid down. In previous plans consumption was a residual. The stress was on investment and output targets with the hope that consumption would somehow find a 'desired' level. In the 1960s the debate ensued on the extent of poverty in India, conclusion every time reached being an appalling degree of poverty and urgency of relief that should be provided. Equally inescapable was the conclusion that the benefits of planning in India had all along gone to only the top 20 per cent of the population, with worsening income and wealth inequalities. Hence the fifth Plan draft considered the removal of poverty as one of the major tasks of planning (the other being self-reliance). The plan aimed at redistribution of consumption from the top 30 per cent to the bottom 30 per cent of the population and reduction of net foreign aid inflow to zero by the terminal year of the fifth Plan.

The author is critical that the fifth Plan model does not explain adequately the relationship between redistribution of income and consumption and import requirements and self-reliance; nor does it explore in detail the trade-off between increased consumption at the lower levels and possibility of reduced savings.

Along with the various plan models and their impact on various five year Plans, the author has also analysed a number of issues such as priority to agriculture or to industries, balanced growth versus unbalanced growth and so on.

The merit of the book lies in this that it will cater for the needs of both, namely the advanced students of economic planning as also the lay readers interested in knowing the framework and methodology adopted by Indian planners. V.T. Krishnamachari with his unsurpassed administrative experience has combined in his book analysis, theory, empirical evidence and planning practices and procedures and a great amount of data which has accumulated over the years. The result has been a neat little book compact, direct and extremely scholarly.

ECONOMIC GROWTH

Dr Bhabatosh Datta was professor of Economics at Presidency College, Calcutta and on different occasions held a number of important posts such as those connected with the IMF, Banking Commission, the Reserve Bank of India and IDBI. *The Contents of Economic Growth* (*And Other Essays*) contains articles written by Dr Datta from time to time during the last decade or so. The articles deal with topics such as problems of economic growth and planning and problems of money, banking and public finance. Some of the articles written earlier are of topical nature and therefore only of historical significance. But there are some others containing ideas which are of relevance even at present.

According to Dr Datta, there was a rather confusing discussion on the objectives of planning and sudden emergence of a 'new economic thinking' which was a mystery to those who have thought seriously on India's economic problems. While the new economics has drawn renewed attention to what was obvious to all, namely mass poverty in India, according to Dr Datta, it has also shown the essential limitations of fiscal and other income-transfer policies.

The author is of the opinion that the required transfer of Rs 800 crores to Rs 1,000 crores simply cannot be brought about by fiscal or any other means because the topmost tenth of the Indian population includes not only the very rich, but also school teachers, certain categories of factory workers, office-goers and so on. However strong the case for such a transfer, it would be wrong, according to the author, to lump together big business tycoons and school teachers. Also, what is often forgotten by these economists is that "income transfer process has to be an integral element of the income creation process and not a process of post-factum correctives." The new thinkers tend to separate growth objective from the objective of social justice. In the face of such thinking, planning becomes an empty exercise. The author has rightly brought out the point that if the objectives of growth and social and economic justice are embodied in planning, the question of there being conflict between the two does not arise at all. The main requirement therefore is clarity of objectives.

traditional meaning

The author has also questioned the traditional meaning that is attached to GNP which while being calculated gives the same importance to say Rs 2 crores worth of soft drinks as to Rs 2 crores worth of foodgrains! The social justice postulates therefore should be clearly laid down and that should enable giving proper weightages to different commodities, especially in a backward country like India, instead of as at present calculating GNP on the basis of prevailing market prices which again assumes the existing pattern of income distribution.

According to the author, the danger lies in the possibility that economy may grow and investment of desired level may take place while investment in low-priority sectors would both give a misleading picture of increase in GNP and also perpetuate income inequalities. It needs to be emphasised that components of an aggregate are as important as the aggregate itself, especially for a developing country.

Writing about self-reliant growth, the author is of the opinion that economy is self-reliant, if its growth process generates enough savings to provide for the domestic requirements of investments (private and government) and also enough exports (including invisible) to finance all necessary imports. But according to the author, foreign assistance becomes necessary for some time to achieve freedom from such assistance. Foreign assistance, necessary in the early stages of economic development of developing countries, would taper off gradually. The only danger is that "the perfect step-by-step success in implementation that such an objective calls for may not be attained." But the author has emphasised that since foreign assistance is influenced by various non-economic factors and is therefore uncertain, "the important protective measure for these countries is to keep alternative plans ready—each complete in itself with its relevant balances and weights."

no conflict

The author finds no conflict between the objective of growth and economic justice in the shape of reduction of inequalities of incomes. The author contends that "under certain types of economic organisation, economic growth, defined in terms of conventional arithmetical total, may be facilitated by maintaining or even increasing income inequalities." But the author rightly maintains that there is however no reason whatsoever why any particular conventional measure of a growth indicator should be adopted independent of a major premise of economic policy. In other terms, income inequality fostering higher rate of saving and investment but producing luxury and semi-luxury goods may be less desirable than greater equality in income distribution with lower rate of saving and investment but producing necessary and essential goods. The author has rightly warned that social and economic justice cannot be sought by special redistributive schemes or according to the principle of compensation of the Hicks-Kaldor type. The best solution of the problem of poverty lies in the appropriate planning of output, employment and income, so that incomes are created for those for whom the essential goods are being produced.

Writing on planning, the author has rightly pointed out that "the expected time-paths of the public sector outputs were never linked up with the desired time-paths of the private sector outputs." To that extent planning in India was defective and incomplete. He has also pointed out that with the acceptance of mixed economy, "the overemphasised conflict between the public sector and private sector or between private gains and social benefits can be minimised with proper planning." Writing about the problem of unemployment, the author is confident that the problem can be successfully tackled with decentralised type of planning. But he has also warned that this requires detailed planning; but "an efficient planning for decentralised growth requires much more careful thought and design than we have been accustomed to uptill now."

These are all the bright spots that one comes across in the fairly large number of articles included in the book. All else is just routine, informative and pedestrian. From a person with highest academic background and one associated with various eminent national and international economic institutions, one expected greater insight into the problems before the country and more absorbing analysis and exposition.

UNEMPLOYMENT

Provision of full employment has become in all countries, developed as well as developing, one of the important objectives of economic policy. It is now increasingly realised that alternative to full employment means so much human suffering in the shape of fear, insecurity, malnutrition and frustration, in addition to so much loss of production that could have been contributed by the unemployed. The author of *Unemployment in India—Policy for Manpower*, Dr K. Puttaswamia has presented in his book analysis of th various aspects of the problem of unemployment in India. After briefly dealin with the theoretial framework of employment, unemployment, under-employmen and so on, the author has straightawa taken up the most baffling problem o unemployment in India.

The author has rightly stressed th central point that "The unemployment problem in our country should be viewed not as a 'residual' problem to be tackled after the other problems have been solved, but as the 'primary' problem." He has insisted that all economic policies of the goverment, whether they are price policy, trade policy or taxation policy, should have one guiding principle, namely creating increasing opportunities of employment in the economy. According to him, all other objectives should be subordinated to the imperative need for maintaining employment at the highest level.

the backlog

In India though total outlay has been growing from plan to plan, increase in employment opportunities has not been commensurate with the huge investments undertaken. The backlog of unemployment has been increasing with the introduction of every new five-year Plan. Since this cannot go on and since attainment of social justice is essential even for safeguarding democracy, steps must be immediately taken to tackle the problem. First, the magnitude of the problem must be assessed because vaguest notions still prevail even among experts as regards the volume of unemployment and underemployment in the country. After doing this, priority will have to be given in the plans to the objective of full employment. Among the measures suggested by the author are "the overhaul of the present system of education, a more rapid industrialisation, employment promotion particularly in small-scale industries and skill formation which is an essential condition." Reorganisation of agriculture and coordination of agriculture with industries would be the best solution to mitigate the problem of unemployment and underemployment in the country. And of course, programme of full employment must include a realistic population policy.

Gunnar Myrdal has rightly pointed out that in a country like India, Gandhian economics is more relevant than the western model or the Russian model. India must devise its own technology in such a way that it avoids capital-intensity and ensures maximum utilisation of labour force in the country. Also as Myrdal has pointed out, "The large volume of unutilised labour possessed by these (developing) countries is thought to have a productive potential capable of creating capital and increasing production, thereby making higher levels of consumption, in short. a potential that can be used to eliminate poverty. The supreme task of planning is thus to drain this labour reservior by creating work opportunities and by channelling the unemployment into productive work."

In the light of the above analysis, the author has examined the employment policy in India's five year Plans and has demonstrated their inadequacies.

The baffling problem of unemployment in the country is in one sense not truly baffling because people want work-opportunities and there is a vast need of all types of essential goods and services in the country which is afflicted by mass poverty. There is adequate technological base ready in the country and capital equipment should pose no problem. This means the solution to this problem lies in proper organisation and in having political will to execute the plan that is drawn up with provision of full employment as the core of the plan.

blind alley

Myrdal and especially Schumachar and earlier Gandhiji have shown the way. Acceptance of development models not suited to the resource-endowment base of our country has led us into a blind alley. Not crash employment programmes but complete reversal of policy in many sectors appears to be the only solution to this meanacing problem. This is what is aimed at by the Janata government. This book based on Ph.D. thesis of the author has made appearance at a time when the Janata government is seized of the problem.

PUBLIC ENTERPRISE

The title of the excellent book *Public Enterprise Investment Decisions in India* by A. Besant C. Raj, presently director of studies at the Administrative Staff College, Hyderabad, is rather misleading in the sense that the book contains not merely 'A Managerial Analysis' as has been stated, but one of the most comprehensive analyses of all aspects, managerial, economic and political, of public enterprises in India. Of course, there is special emphasis on investment decisions in public enterprises, all the other aspects being woven round that central topic. This is as it should be because public enterprise investment decisions are not purely technical decisions but are ones which are heavily influenced by economic and political considerations which inevitably get associated with public enterprises.

The author begins by describing the emergence of public sector enterprises in India consequent on the industrial policy resolutions of 1948 and especially of 1956. The determined efforts by the government to expand the public sector has resulted in there being 129 public sector enterprises with the total investment of Rs 7261 crores as on 31st March 1975. The field covered by the public sector enterprises is quite wide ranging from iron and steel, locomotives and aircraft to food, drugs, contraceptives, footwear and babyfood. The non-departmental enterprises however contributed only an income of Rs 1,832 crores or about 4.6 per cent of the net domestic product of Rs 39,899 crores, at current prices, in 1972-73. This small contribution to national income by public sector enterprises was due to under-utilisation of installed capacity in various enterprises, ranging from 10 to 80 per cent. Taking the economy as a whole, the consequent total national loss was of the order of Rs 2,400 crores per year at the end of the third Plan. It is a stagging thought that there was avoidable wastage of national resources amounting to over 10 per cent of the national income. It is this which makes proper investment decisions in public sector enterprises absolutely necessary so that when established, public sector enterprises help the developing countries like India to attain the various objectives which have been aimed at while establishing the enterprises.

By capital expenditure decision is meant the decision to invest in plant, machinery, equipment and facilities in new and existing enterprises in India. While replacement, expansion and diversification investment decisions come under the purview of this study, maintenance expenditure decisions are excluded from this study.

investment decisions

The author has criticised investment decisions taken so far in the public sector. I.M.D. Little was also critical about it and stated that there was no rational approach to project selection; there was no cost consciousness; insufficient thought was given to management problems; the damage caused to the economy was much heavier than the mere increase in capital costs due to delay in establishing the enterprise. It was most unfortunate, according to the author, that the difficulties subsequently experienced by public sector enterprises were due to or resulted from "inadequate market analysis, poor choice of plant location, incomplete technical and economic analysis, and the lack of an adequate management plan to guide the entire operation to a successful conclusion and to assign reponsibilities."

A 'Manual of Feasibility Studies' detailing how to carry on demand analysis, pricing, technical development of the project, location of the project, profitability analysis and national economic benefits, was widely circulated among higher executives of public sector enterprises. But it subsequently transpired that many top executives who were to take investment decisions were not even aware of the existence of this manual ! The author has given specific instances which go to prove that these investment decisions and especially decisions regarding location of plants were mostly influenced by purely political considerations.

Before the investment decisions are taken, the government should clearly lay down the objective of the individual enterprise in the context of the national policies. It is not enough if vague and general objectives such as promoting rapid economic development, providing infrastructure facilities, undertaking strategic economic activity, etc. are enunciated as objectives of public enterprises. When an enterprise is to be established, the investment decision will be facilitated if the objective behind its establishment is stated in specific terms. This lack of distinct objective or objectives has been a major lacuna leading to defective approach in capital budgeting decisions. The author has suggested policy-makers to lay down priorities in respect of choice of investments and, secondly, criteria to be fulfilled by enterprises that priorities can be fixed on the basis of essentiality of the investment and postponability of investment.

Once the investment objective is determined, then the selection of specific projects needs economic analysis, commercial analysis, technical analysis and financial analysis.

The author has suggested investments undertaken in public enterprises be classified into six categories on the basis of essentiality and usefulness to various segments of the society. Those considered essential to the nation as a whole should employ social discount rate; those projects which are desirable but not essential should yield the social opportunity cost of capital; and those for pleasure and enjoyment should yield the market rate of return in the private sector.

The author has suggested bases for location decisions. Among various factors to be considered, the two factors namely level of unemployment and per capita income in a state should receive due consideration, if two locations in two states are otherwise found equally suitable.

The author has made an important suggestion that a new kind of organisation be set up to take investment decisions in the case of public enterprises. He has recommended the establishment of a 'Public Industrial Investment Board' which should be a constitutional authority enjoying independence like the Public Service Commission and the Election Commission, and subject only to the control of parliament. This body should approve all investments in public enterprises and their location, taking into consideration the specific objectives which the government has in view in establishing a particular public sector project.

It is a comprehensive treatise on the public sectior in India (and not just on investment decisions) for which the auther was deservely awarded the Ph.D. degree by the Harvard University. The policy-maker are yet groping in the dark as regard th goals and functioning of public secto enterprises in India. This book shoul serve as a guide to both the policy-maker as also bureaucrats concerned with th public enterprises in India.

Know your India

Statistical Outline of India 1978: Published by Tata Services Limited, Department of Economics and Statistics, Bombay House, 24 Homi Mody Street, Bombay 400023. Price Rs 12 plus postage and packing Rs 4. A concessional price of Rs 9 is allowed on each order of 11 copies or more. At Delhi, copies can also be obtained from Tata Services Limited (Attention: Mr A.G. Nadkarni) Jeevan Tara, 5, Parliament Street, New Delhi 110001.

This is the thirteenth and the latest edition of "Statistical Outline of India", which has established itself as a popular ready reference pocket book. This publication has always been noted for the excellence of the editing of its material thanks to which a great deal of information is presented conveniently and elegantly within a relatively small compass. Th present edition has succeeded in making further advances in compilation and presentation. For instance, 17 new tables have been added on subjects of increased current importance such as agriculture and small-scale industry. Particularly welcome is the imaginative effort made to deal with the problem of the time-lag which all compilations basing themselves on official data have to cope with. On the present occasion this difficulty has been circumvented to some extent by the utilization of more critical statistical information available from responsible non-official agencies. The 190 tables constituting this very well-produced pocket book is a miniature encyclopaedia on the Indian economy.

Books Received

Namibia: Challenge to the United Nations: S.C. Saxena; Published by Sundeep Prakashan, Delhi; Pp. 298; Price Rs. 65.

Night Life of Indian Tribes: S.S. Shashi; Published by Agam Prakashan, Delhi; Pp. 110; Price Rs. 40.

The Shepherds of India: Dr S.S. Shashi; Published by Sundeep Prakashan, Delhi; Pp. 122; Price Rs. 45.

Non-Cooperation Movement in Indian Politics: B.M. Taunk; Published by Sundeep Prakashan, Delhi; Pp. 239; Price Rs. 60.

The Heritage of Amritsar: Surinder Singh Johar; Published by Sundeep Prakashan, Delhi; Pp. 144; Price Rs. 45.

Palaeohistory of India: Vidula Jayaswal; Agam Kala Prakashan, Delhi; Pp. 243; Price Rs. 140.

Consumer Purchases of Textiles in 1976: Textile Committee, Ministry of Commerce; Pp. 394; Price Rs. 75.

Specialised Financial Institutions: India Investment Centre, New Delhi; Pp. 145; Price Rs. 10.

Money Information and Uncertainty: C.A.E. Goodhart; Published by the Macmillan Press Ltd, London; Pp. 330; Price £4.95.

Elementary Logic: F.M. Kulay; Vora & Co. Publishers P. Ltd., Bombay; Pp. 119; Price Rs. 9.00

Text Book of Principles of Management and Personnel Management: A.S. Deshpande; Vora & Co. Publishers P. Ltd., Bombay; Pp. 293; Price Rs. 17.50.

The Incredible Elections: S. Devdas Pillai; Popular Prakashan P. Ltd., Bombay; Pp. 439; Price Rs. 60.00.

Perspectives in Indian Banking: Gopal Karkal; Popular Prakashan P. Ltd., Bombay; Pp. 124; Price Rs. 40.00.

Market Study for a New Industrial Project: K.S.V. Menon; Vora & Co. Publishers P. Ltd., Bombay; Pp. 204; Price Rs. 20.00.

Urban Migration in India: D.P. Saxena; Popular Prakashan P. Ltd., Bombay; Pp. 224; Price Rs. 45.00.

Political Change in India: P.N. Sheth; Vora & Co. Publishers P. Ltd., Bombay; Pp. 192; Price Rs. 30.00.

Mauritius: Vadilal Dagli; D.B. Mahatme, Commerce Publications Division, Bombay; Pp. 172; Price Rs. 45.00.

TRADE WINDS

Jute Licensing

THE GOVERNMENT has decided to introduce a new scheme of licensing of jute trade. An official announcement recently said that the new scheme will be applicable to all persons who carry on business in kutcha or pucca baling of raw jute; kutcha or pucca baled jute involving in either case their purchase, sale or storage for purposes of sale. This announcement comes barely within three days of the announcement of a package of measures by the Industry ministry to resolve the prevailing raw jute crisis in the industry. Under the new scheme, the licensing authorities in each state would be appointed on the advice of the respective state governments. All the same, the Jute Commissioner will have the concurrent powers of issuing the licences throughout the country to all persons who carry on business.

Book Fair

Fifty eminent publishers from all over the world including those from the USSR, the USA and the United Kingdom will participate in the third book fair to be held in New Delhi from February 11 to 20, 1978. Arrangements are well in hand for the fair which is being organised by the National Book Trust at the Pragati Maidan. Publishers from the Federal Republic of Germany, the German Democratic Republic, Holland, Czechoslovakia, Bulgaria, Hungary, Romania, Switzerland, Yugoslavia, Kenya, Zambia, Egypt, Bangladesh and Pakistan, will also participate in the fair. Apart from the commercial participation, the government have extended special invitations to some developing countries, these are Nepal, Afghanistan, Sri Lanka, Mauritius, Malaysia, Kenya, Zambia, Tanzania, Thailand, Vietnam, Cuba, Turkey, Iraq and Mexico. The Indian participation in the fair will comprise over 277 publishers and distributors from all over the country who will display a rich variety of publications which will give visitors an idea of the tremendous progress made in publication and book production techniques in the country.

Grindlays Bank Wins Management Game

Flight simulation equipment and techniques have for long been in vogue for training airline pilots in captive situations where errors do not have unpleasant results. Somewhat on similar lines, the Administrative Staff College of India, (Hyderabad) have devised a Management Game which enables a team of managers to operate with an imaginary company. This game was used as the basis for the first All India Management Game competition organised by the Staff College in which 23 teams from public and private sector companies (including the Defence and Railways) competed for a trophy.

The team entered by the northern area of Grindlays Bank Limited won the competition, which was the first ever held in this country. The team members were Messrs D.R. Chand, B.C. Barkataki, D.P. Basu, U. Bose and J.M. Yardi. The competitors were given an imaginary company to run, after being furnished with a track record of sales, costs, profits and a balance sheet.

Union Bank's New Branch

The Union Bank of India has opened its 1001st branch in Bombay. The Union Bank was started in the wake of the Swadeshi movement and its administrative building was inaugurated by Mahatma Gandhi in July 1921. It has taken 58 years for the bank to travel throughout the country and initiate the 1001st branch in Bombay, where the bank started. The opening ceremony of this 1001st branch was performed by Mr H.M. Patel, minister for Finance on January 22, 1978. Mr Bana Pranjape, chairman and managing director, stated that the bank was doing its best in the spirit of trusteeship, the philosophy left by Mahatma Gandhi, to perform the responsibility for managing the savings of the public; giving it a direction in line with the socio-economic objectives.

Customs Concession on Ceramic Rods

With a view to giving relief to the electronics industry, the government have decided to extend a concessional rate of customs duty of 45 per cent *ad valorem* to ceramic rods, when imported for use in the manufacture of certain electronic components, namely, carbon film resistors, metal film resistors and metal oxide film resistors of power rating upto 20 watts. This concession came into effect on January 25, 1978.

Sugar Movement Allowed

The government has withdrawn all existing restrictions on the inter-state movement of sugar on trade account. A decision has been taken in line with the general policy of the government to allow free movement of essential commodities from one part of the country to the other and keeping in view the position regarding the stocks and availability of sugar. The Sugar (Restriction on Movement Order) 1972 now stands rescinded. There has been no restriction on the movement of free sale sugar directly from the factories to the consuming states. This measure would lead to easy flow of sugar to all consuming areas.

Rules for Dividend

The department of Company Affairs in a notification issued recently asked the companies to deposit the unpaid dividends of shareholders with the Punjab National Bank. The overdue claims for the payment of dividends from the shareholders will be entertained only by the Registrar of Companies. These rules have been framed under the amended Companies Act which had made provision to plug the malpractices of the companies using the declared dividends without paying to the shareholders for a long time. Section 207 of the Companies Act provides that dividend declared by a company must be paid to the shareholders within 42 days of the date of declaration. Section 205-A also requires that the dividend remaining unpaid after 42 days should be transferred within seven days thereafter to a special account of the company to be opened for this purpose under the caption "unpaid dividend account of the company." The money so transferred to that special account remains with the company for a period of three years and the dividend for the shareholders are met out of that fund. After the period of three years the sum still remaining unpaid shall have to be transferred to the general revenue account of the central government and claims made thereafter shall be entertained only by the central government. The central government has now in a gazette notification prescribed the rules for the purpose of transfer of this amount to the general revenue account. Forms and procedures have also been prescribed for meeting the claims of the shareholders.

High Denomination Notes Demonetised

With the exercise of demonetisation of high demomination notes announced recently, financial circles expected that over Rs 70 crores of these notes would be immobilised. According to the data furnished by the Reserve Bank of India, the total value of high denomitation notes tendered at its 14 offices from January 18 to 24 totalled Rs 21.75 crores. This includes Rs 11.80 crores tendered on January 18 and 19 and Rs 9.84 crores tendered from Janaury 20 to 24 with explanation by the public as to why their notes could not be submitted on the specified two days. During the two days, the State Bank of India received tenders for Rs 65.09 crores. The total value of the tenders submitted at RBI and SBI offices is for Rs 86.33 crores. To this must be added the amount of Rs 16.54 crores, being the value of high denomination notes held by commercial banks and reported to the RBI offices at the metropolitan centres on January 17, the day following the announcement of the demonetisation ordinance. The total notes accounted for thus comes to Rs 108.87 crores.

The Reserve Bank is yet to receive the figures from the other designated banks about the tenders submitted to them, as also those relating to the high value notes held by commercial bank branches on January 17 and reporting to the district magistrates. These returns may disclose figures ranging from Rs 15 crores to Rs 17 crores. In the light of these statistics, the value of notes which have been accounted for total nearly Rs 120 crores. Although the precise amount of high denomination notes in circulation as of January 17 is not available, one reliable estimate is that it will be of the order of Rs 180 crores. According to RBI figures, these notes in circulation totalled Rs 167 crores at the end of July 1977 compared with Rs 147 crores at the end of May 1977 and only Rs 112 crores as on March 31, 1977.

No Excise on Corrugated Board

As a measure of relief to the small-scale sector, the central government has exempted corrugated board from the levy of excise duty. As a consequence, the excise duty on kraft paper (of 65 gsm and above), which is the basic input for the corrugated board industry, has been raised from 30 per cent *ad valorem* to 37.5 per cent *ad valorem*. Two notifications to this effect were issued by the Finance ministry recently. The government has also granted further relief in excise duty to straw board produced by small sun-dry units. A notification was issued in terms of which such straw board will henceforth be chargeable to 10 per cent duty only.

Marketing Awards

The winners of the first IMM-Bata "Marketing-Man-of-the-Year" awards (small scale) have been announced. The gold award goes to Mr H.S. Bhatty, managing director of Polestar Electronics (P) Ltd, Bombay. The four silver awards have been won by Mr Rasik Upadhyay, jt chief executive and marketing manager, Navsynth Chemicals, Ahmedabad, Mr R. Mohan Rajan, director, Universal Biochemicals, Madurai; Mr Ravinder B. Marathe, proprietor, Marathe Engineering Industries, Miraj; and Mr P.K. Ali, managing director, Aysha Hosiery Factory (P) Ltd, Cannanore.

The awards were formally handed over to the winners by Mr Brij Lal Varma, minister for Communications, at

Leipzig Fair
12-19 March 1978
German Democratic Republic

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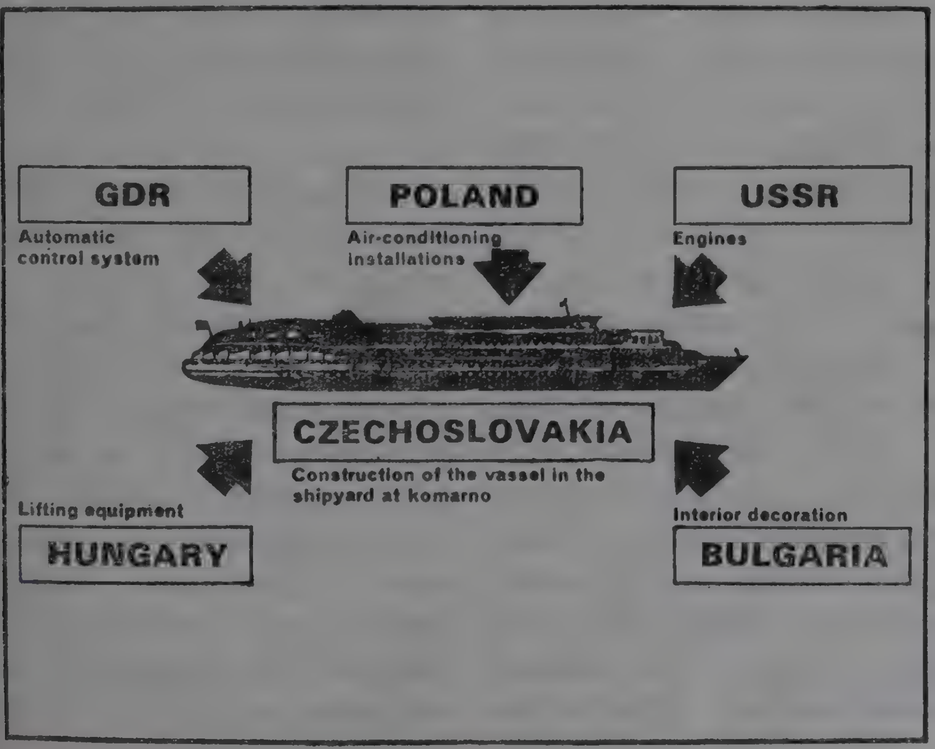
CALCUTTA-700 001.

"Madan House" 16, Moore St.,
MADRAS-600 001.
or at the frontier posts of the GDR.

he Fifth National Marketng Convention held in New Delhi on January 29. Instiuted with the specific intenion of promoting the conept of scientific marketing in he small-scale sector, the MM-Bata awards attracted a arge number of entries from ll over the country. Entries ame from manufacturers of a ariety of household and ancilary items, chemicals and engineering products. The panel of udges, headed by Mr I.C. Puri, Additional Secretary and Development Commissioner, Small Scale Industries, government of India, took special care to give weightage to units located in rural and backward areas. Weightage was also given to innovation and improvement of products, after-sales service, use of local raw materials, modernisation, sales efforts and meeting social obligations.

COMECON: Socialist Economic Integration

The specialisation and cooperation in production bring huge dividends to each of the COMECON countries. With the adoption of the complex programme of economic integration, the economic interaction of the fraternal states has started developing fast and purposefully. More than 90 multisided agreements have been concluded and are being implemented embracing most varied fields. The specialisation and cooperation is conducive to better satisfaction of the demand for consumer goods, to a permanent rise of the level of machine-building, modernisation and development of transport links. The diagram taken from the journal *Foreign Trade of GDR*, graphically demonstrates the role of socialist economic integration in ship-building. For the largest passenger class river vessel in Europe under construction at the Czechoslovak shipyard at Komarno, the equipment is coming from six countries.



Leipzig Spring Fair

The 1978 Leipzig Spring Fair which is to be held from March 12 to March 19, will attract a great number of countries with their best products. Some 9,000 exhibitors from about 60 countries have booked space. Twelve socialist countries will also be represented. From the GDR there will be 4,200 manufacturers and foreign trade organisations, and from the other socialist countries some 300 organisations can be expected with ranges including many new and improved products. The total area available for displays is 340,000 sq. metres. The organisers expect visitors from some 100 countries. Under its motto of "World-wide trade and technological progress" the fair is expected to make a major contribution to the extension of commerce and economic cooperation.

A large number of product groups will be represented at the fair showing their scope, international participation, the range and quality of their products. These include metallurgy, heavy machinery, machine tools with the "special-purpose machinery" display, farming and food processing and packaging machinery with the "packaging" display, and electrical engineering, automation equipment, data processing and scientific instruments with the "automation" and "data processing" displays. Items from 18 consumer goods product groups are to be shown in the fair buildings in the city centre.

Communication Group

A total of 21 countries will be represented in the communication and measuring equipment/precision instruments product group. From about 15 countries there will be exhibitors of communication systems and equipment including one of the leading manufacturers, RFT from the GDR who export half of their output. To this must be added indirect exports in the form of systems incorporated in complete plants sold by other GDR industries. All RFT exports are handled by the Elektrotechnik Export-Import, foreign trade organisation. RFT equipment is designed for the establishment and extension of plant, local and trunk exchanges, toll networks, long-distance connections, teletypewriter, remote control and data networks and stationary and mobile radio links and networks. Apart from supplying individual units RFT will also give technical advice, perform plainning and design work, supply and assemble complete installations and supervise them up to commissioning. After-sales servicing is also available. An "applications centre" is to point out how these integrated services and experiences can be used.

New Procedure for Central Excise

The Central Excise Self Removal Procedure (Review) Committee, which was set up in 1971 to review the working of self removal procedure, had recommended a system of selective control, for levy and collection of central excise duties, made up of three distinct procedures adapted to different needs of different industrial sectors. These procedures were accounts based control, production based control and clearance based control-cum-simplified procedure.

Clearance based control with the alternative of a simplified procedure for small units, whose value of annual production did not exceed a cut-off point of Rs 5 lakhs, which enables the manufacturers to compound their prospective duty liability on the basis of their past performance, has already been introduced with effect from March 1, 1976. Records based control (referred to by the committee as accounts based control) and production based control are proposed to be introduced with effect from February 1, 1978. Salient aspects of these two are:

Records based control (RBC) is intended for those commodities which are produced almost entirely in the organised sector and for which the tariff is comparatively simple. The number of commodities that has been identified for being brought under such control is 32. It will be a liberalised version of the present self removal procedure to the extent that the records maintained by an assessee will, by and large, form the basis of central excise control and routine physical checks will be avoided as far as possible.

Production based control (PBC) will be applicable to all those commodities which do not get covered by conventional physical type of control, records based control, clearance based control-cum-simplified procedure or in respect of which a compounded levy scheme has been formulated. This pattern of control will preserve the essentials of self removal procedure subject to such checks being exercised by central excise officers as are necessary to enable accounting of the production to the full extent. The central excise staff will be augmented and re-deployed to ensure that the officers will be available to carry out necessary checks at various stages.

Suitable notifications to make necessary changes in Central Excise Rules so as to be in conformity with the new patterns of control are being issued.

World Trade Centre

Prime minister, Mr Morarji Desai inaugurated recently the World Trade Centre, Bombay, the first of its kind in south east Asia. Maharashtra's chief minister, Mr Vasantrao Patil, presided at the inaugural function which was attended, among others, by members of the Maharashtra cabinet, high court judges, members of the consular corps and leading industrialists and businessmen of the city. The first phase of the World Trade Centre, comprising the trade centre arcade is now ready while the second phase, consisting of the export centre and the third and final stage comprising the exhibition centre, are due to be ready within the next two to three years. The World Trade Centre is named after the late Dr M. Visvesvaraya, one of the architects of modern India. Mr S.K. Wankhede is the president of the World Trade Centre.

Edible Oils from US

The United States and India recently signed an agreement for a long term, low-interest loan to India for the purchase of up to 60,000 metric tons of edible oils this year. The commodity agreement, under Title I of US Public Law 480 and worth $27,800,000 (approximately Rs 22.4 crores), was signed by US ambassador, Mr Robert F. Goheen and Dr Manmohan Singh, secretary of the department of Economic Affairs of the ministry of Finance. PL 480 Title I commodity sales agreements, a part of the long term US assistance to India, have been made between the two nations since 1956.

In addition, the United States has sent millions of additional tons of foods to India under Title II of the assistance programme on a grant basis through voluntary agencies. Last February the United States and India signed a similar agreement worth $26 million. The newly signed agreement provides for India to import up to 60,000 tons of soyabean and/or cottonseed oil during the current US fiscal year which ends September 30, 1978. The $27,800,000 loan is for a 41-year period with an interest rate of between two and three per cent per year. First payment of principal becomes due in 10 years, that is 1988. Payments are to be made in US dollars.

Cheaper Storage Structures

Stressing the need for improvement of storage structures at the farm level, Mr Surjit Singh Barnala, minister for Agriculture and Irrigation, called for greater attention to develop structures which could reduce farmers' investment on storage. He pointed out that in the absence of scientific storage facilities there were sizeable losses of foodgrain besides losses in quality. The minister added that because of heavy investment the farmers were not able to afford cement or metal bins at present. Mr Barnala was inaugurating a factory in NOIDA complex recently for the manufacture of ferro cement, grain storage bins, developed and patented by the Structural Engineering Research Centre, Roorkee (A government of India research centre) under licence from National Research Development Corporation (NRDC).

Salem Steel

The Salem Steel Limited, a public sector steel plant, entered into a technical collaboration agreement with M/s Peugeot Loire of France. The agreement was signed at Salem recently by Mr V. Subramaniam, managing director of the Salem Steel Limited, and Mr J.P. Racamier of Peugeot Loire, France. Mr R.P. Billimoria, chairman of the Steel Authority of India, was present at the signing ceremony. The plant at Salem is being set up for the production of stainless steel and other special steels. The project i being executed in two stages A sophisticated cold rolling complex for the productio of 32,000 tonnes stainles steel sheets and strips is to b set up in the first stage whic involves a capital outlay o Rs 127 crores. The secon stage of the project covers th setting up of facilities fo making iron and steel and fo hot and cold rolling of stainless, electrical and othe special steels. The second phase of the project will cos an estimated Rs 560 crores.

Technical Collaborators

Several reputed stainless steel manufacturers from all over the world had responded to the global tender floated by Salem Steel Limited for supply of technical know-how. A team of experts had visited a number of stainless steel plants in various countries during June-August 1977 for a comparative study of stainless steel plants in Italy, Spain, France, the USA, Japan and South Korea. The French tender was found to be most competitive and technologically suitable.

Under this agreement, Peugeot Loire, apart from providing the process know-how, will also advise Salem Steel on design and engineering, including the layout and the choice of equipment suppliers. Salem engineers and technicians will be trained in France for the operation of the plant and the French firm will also make available their experts at Salem for rendering assistance in the erection and operation of the plant. They will also provide assistance in setting up a customer service, product application and development organisation. Peugeot Loire have very wide experience in the production and marketing of cheaper ferritic non-nickel) stainless steels, he use of which Salem Steel is committed to promote in order o save foreign exchange. This agreement will be valid for a period of 10 years from January 26, 1978, or for a period of five years aftr ethe commissioning, whichever is ater.

Awards for Meritorious Inventions

Republic Day (1978) Awards for inventions have been announced by the National Research Development Corporation of India. Sixteen nventors have been given cash awards totalling Rs 11,000 and one inventor has been given a certificate of merit for development of seven inventions. The corporation has so far given cash awards totalling Rs 601,000 for 473 inventions. More than 50 per cent of the inventions awarded have gone into production leading to generation of wealth. The highlight of this announcement is an award of Rs 4,500, jointly, to nine inventors for the development of thyristor controller (an electronic component) for wirespool unwinding. The thyristor controller has been developed by a team of scientists from the Indian Institute of Technology, Madras, KELTRON, Trivandrum and Bharat Dynamics Ltd, Hyderabad.

Details of awards are as under:—Dr B.V.A. Rao, Mr C. A. Subramanian, Dr Ramaswami, Dr G. Sridhara Rao, and Dr V.V. Sastry from Indian Institute of Technology, Madras, Dr A. Krishnan from KELTRON, Trivandrum & Messrs R.B.N. Chari, V. Narayana and R.V. Ramakrishna Sastry from Bharat Dynamics Ltd, Hyderabad have jointly been awarded Rs 4,500 for development of thyristor controller for wirespool unwinding.

Messrs Kasthuriswamy Sreenivasan and Srinivasalu Naidu Govindarajan of the South India Textile Research Association, Coimbatore have been jointly awarded Rs 2,500 for development of a two-for-one twisting machine which is used in textile industry for doubling of all types of yarns. In this machine two twists are given to yarn in a single revolution of the spindle instead of one twist in the conventional twisting machines.

Mr Kumar Balram Bhatia of Blue Steel Engineers Pvt Ltd, Bombay has been awarded Rs 1,000 for development of metal hardness tester. This tester incorporates a new interchangeable double cone indentor in place of the normal ball indentor. The tester requires relatively a much smaller impact on thin specimens.

Mr Prem Sukh Bansal of Hindustan Copper Ltd, Ghatsila has been awarded Rs 1,000 for developing fluidizing nozzles for concentrate conveying system.

New Device

Mr B. Narayana Rao of Southern Industrial Gauges & Tools Private Limited, Madras has been awarded Rs 1,000 for making a device for grinding of tools and similar articles. This device with its novel constructional features has advantages in operation over the known tool grinders.

Messrs Jagdishchandra Ramanlal Modi and Suryakant Shivshankar Trivedi of Ahmedabad Textile Industry's Research Association, Ahmedabad have been jointly awarded Rs 1,000 for developing cheaper chemical substitutes for citric acid and zinc acetate used in colour processing of textiles.

Mr Noshir Padamji Kapadia of Larsen & Toubro Ltd, Bombay has been awarded a certificate of merit for development of a conversion kit for Callahan Press which leads to increased production of crown shells.

British Shipping Mission

A high-powered marketing team from British Shipbuilders, the state-owned consortium of British shipping firms, arrived in New Delhi on January 29. It was led by Mr Ross Belch, managing director of Scott Lithgow. The other members of the team are: Mr A. Gilchrist, managing director, Govan Shipbuilders Ltd; Mr A. Killin, sales and marketing director, Robb Caledon Shipbuilders Ltd; Mr D. Kimber, chairman, Austin & Pickersgill Ltd; Mr G. Parker, managing director, Smith's Dock Company Ltd; Mr M. Robinson, managing director, Eggar Forrester; and Mr Richard Heyhoe of British Shipbuilders. They have been joined on arrival at New Delhi by Mr A. Gilfillan, managing director of Sunderland Shipbuilders. Mr Gilfillan was already in India at the invitation of the Shipping Corporation of India for further discussions regarding contracts for six 16,500 DWT container-oriented cargo liners.

Indo-Nepal Cooperation

In pursuance of the understanding reached at the prime ministers recent visit to Katmandu a delegation from Nepal led by the Foreign secretary of Nepal, Mr U.D. Bhatt, visited New Delhi from January 17 to 25, 1978. Intensive negotiations were held on matters relating to Indo-Nepal trade, tranist and cooperation to prevent unauthorised trade between the two countries.

Discussions were also held on the protocols and other connected documents where many details have to be covered. The two sides are hopeful that on the basis of all the discussions held, it should be possible to conclude separate treaties on Indo-Nepal trade and transit and an inter-governmental agreement on cooperation with regard to possible unauthorised trade. The two sides agreed to resume negotiations at an early date in order to conclude the two treaties and the agreement along with the connected documents.

Appropriate Technology

The government has undertaken a review of the various processes deployed in industry with a view to determining the appropriateness of the technology applied Disclosing this Mr I.C. Puri development commissionner for small scale industries stated that this exercise will also enable the government assess the various technologies presently in application in industry with a view to determining the future requirements. Mr Puri who was speaking at the inauguration of the Volunteers for India's Progress Club (VIP) recently proposed the formation of a high level cell comprising representatives of the India Investment Centre, VIP and his office, with a view to facilitating the inflow of investment in India by the non-resident Indians. He said that this would work as a clearing house both for proposals of investment in India and the importation of technologies etc. The cell has been necessitated by the various hurdles that exist today in the free flow of such investments in the country.

COMPANY MEETING

Sudarsan Trading Company Limited

Registered Office : CALICUT-673011

Speech delivered by Major Gen. D. C. Misra, M. C., (Retd.) Chairman, at the 18th Annual General Meeting of the Company held at the Conference Hall, 'Sudarsan Building', Chakkorathkulam, Calicut on Tuesday the 31st January, 1978 at 10-30 a.m.

Maj. Gen. D.C. Misra, M.C. (Retd.)

Gentlemen,

1. I have great pleasure in welcoming you to this 18th Annual General Meeting of your Company. The report of the Directors, incorporating the salient features of our performance during the year under review, together with the audited statement of accounts for the year ended 31st July 1977, have already been in your hands for some time. With your permission, I will take them as read.

2. Certain significant events on the political firmament, since we last met, have inevitably given new directions to India's future. They most certainly demonstrated to the world and, incidentally to ourselves, that our democratic spirit is in excellent shape and quite capable of giving a good account of itself at all times.

3. These events lifted our spirits and made us realise that it is not just enough to look but to see, not just enough to hear but to listen, not just enough to talk but to commune. On the Industrial front however a less cheerful picture has since crystallised. The Nation's ambitions cannot be measured by the yard stick of wishful thinking; it must obviously rest upon the sheet anchors of duty, discipline, dedication and above all a will to succeed while we strive to use to the maximum advantage the God given skills of mind and body. Then alone does progress become meaningful and significant. In this context, the swing of the pendulum manifesting itself in an increase in the number of strikes, bundhs and lockouts have inevitably led to the loss of precious man-hours and a decline in production. We all hope though that the present industrial unrest is a passing phase engendered by the things that went before it, and that soon the country will find its equilibrium once again and go forward, with concepts recommended by reason. Let us not forget our glorious heritage and worthy traditions, and, let us also remember that with discipline and a proper sense of responsibility Industrial stability would increasingly become the hallmark of lasting values.

4. Industrial dislocation and disruption apart, the nation has had the misfortune of having to contend with certain natural phenomena on an unbelievably colossal scale. The cyclones in the Southern Parts of our country belong to this category, and such were their dimensions that it would take some years to heal the scars of soul and soil. Your Company has always had close links in these regions and fully shares the sufferings of its people.

5, Notwithstanding the buffets and blows of one kind or another which highlighted the recent past the overall performance of your Company and its subsidiaries during the period under review has been quite satisfactory. After providing for depreciation, the Company has earned a reasonable profit and proposes to disburse the same percentage of dividend as last year. I shall now spell out, in greater detail, the performance of your Company's various units and subsidiaries.

6. Sudarsan Chits (India) Limited:

This subsidiary, which caters for the saving instincts and borrowing needs mainly of the middle and lower income groups, has had to strive hard to maintain its business and achieve its targets because of the piece-meal and often drastic legislation that were enforced by certain State Governments. It will be recalled that since 1968 we have been representing for the introduction of an All India Legislation which will have uniform control over the operations of this indigenous non-banking financial institution, and which would, in turn, protect the interests of the lender, the borrower and the promoter. Despite these basic handicaps Sudarsan Chits have earned a reasonable profit. With the early passing of the draft bill, proposed by the Union Government, it would be reasonable to assume that the 128 branches of this subsidiary, spread out over the entire country, would justify their existence, both in terms of profitability as also in rendering useful service to society.

7. Aries and Aries:

This engineering and construction unit which came into being only last year has made a very satisfactory start. It has at present a contract worth Rs. 270 lakhs in respect of the Siruvani Drinking Water Project, which is a joint venture of the Governments of Kerala and Tamil Nadu. The work is progressing well and a satisfactory profit appears assured. The contract work at Ennore Thermal Scheme, Madras is nearing completion and is expected to be over by the end of this year. In the meanwhile we have been awarded another work by the Tamil Nadu Electricity Board at Basin Bridge, Madras.

8. Standard Furniture Company:

As you are aware, this unit is one of the oldest and leading manufacturers of plywood, furniture and tea chests in thi country and has its factorie at Kallai and Chalakudy i Kerala. There has been marked improvement in th performance of this unit durin the year and the total value o production has increased t Rs. 57.85 lakhs as agains Rs. 32.02 lakhs for the preceding year. The net profit for th year stood at Rs. 1.42 lakhs a compared to a profit o Rs. 15,425/- during the preceding year. While the production of the factories is steadily improving the scarcity of raw material continues to be a major deterrent. The quota o timber fixed by the Government of Kerala, after the nationalisation of forests, is proving quite inadequate to meet the increasing demand of our two factories. To maintain our regular and normal production we have had to purchase timber from private sources at exhorbitant rates. In spite of our best efforts, we were compelled to declare a partial layoff during this perio due to nonavailability of raw materials. The demand, both indigenous and foreign, for our furniture products, is increasing day by day. We have had, however, to reluctantly decline several orders under the present circumstances. The State Government authorities have been apprised of the serious situation arising from the inadequacies of our quota of timber. Through their cooperation and support we have succeeded in meeting this crisis to some extent. Incidentally the Company has now established showrooms at Calicut, Ernakulam, Madras and Bangalore for the display and sale of its products.

9. Sudarsan Clay Products Limited:

This subsidiary has shown remarkable progress during the year in production and sales. This is directly attributable to the decision taken earlier to group together various units which were manufacturing products of a similar nature. Consequently, the Standard Pottery Works at Alwaye, Feroke Tile Works, the Stoneware Pipe Factory at Rajahmundry, Tuticorin Brick and Tiles at Tuticorin and Eastern Clay Works icut and Madras now all m part of Sudarsan Clay oducts Limited. The items production are crockery, itaryware, refractories, roof-, ceiling and flooring tiles, neware pipes, ridges and cks of various types.

West Coast Industrial ses Limited:

Your Company, during the eceding year, acquired West ast Industrial Gases Limited Cochin, one of the major cillary units of the Cochin ipyard complex engaged in e manufacture of Oxygen ving its plant at Cochin Ship-rd and have built a new ctory producing Acetylene Kadavanthara. This unit has cently obtained a Letter of tent for the manufacture of itrogen. The additional capi-l required for this project is oposed to be raised by public sue of shares. With all the dustrial development taking ace in Kerala, particularly in nd around Cochin. your irectors have reason to believe at the new venture would be able in commercial terms.

1. Hotel Sudarsan Interna-onal, Madras:

This luxury Hotel which is a nit of Sudarsan International imited has completed its se-ond phase. The entire project ill be completed only after the ird phase has been taken up nd executed. Your Directors re awaiting the approval from he Madras Metropolitan Deve-opment Council. In the mean-hile, the Hotel continues to row in popularity both for its omfortable rooms and the tandard of the cuisine it pro-ides. The Health Club, the nly one of its kind in Madras, attracting substantial patron-ge and the Beauty Parlour, nanaged by an expert from urope, has also a growing lientele in the city. Even hough the Hotel has not been ble to make a profit this year is anticipated that with the ompletion of the third phase t would turn the corner.

2. Hotel East West, Bangalore:

Turning to the other Com-any of this subsidiary, the ake over of the management f the East West Hotels Limi-ed, Bangalore has now been ompleted. The administrative etup has been completely reorganised and it is gratifying to note that the sales in all Departments have improved beyond recognition. However, the various liabilities of the Hotel, legacies of the past which we have inherited from the previous management at the time of the takeover, are proving a stumbling block to profitability. Ways and means however, are being implemented to reduce and eventually wipe off these outstanding debts. The extremely satisfactory performance of the Hotel since take over encourages the hope that once the mill-stone of liabilities has been removed this unit would give a very good account of itself.

In regard to the development of Hotels, the aim that your Directors have set for themselves are essentially realistic and practical. Preference will be given to those projects which require minimum of capital outlay with a view to provide clean, comfortable rooms, wholesome food, personalised service, a pleasant environment and basic amenities at a reasonable tariff to suit the interests and requirements of guests from different economic levels.

Since the Hotel Industry in our country is inextricably linked up with tourism, covering both foreign and indigenous fields, your Directors would always bear in mind and as far as possible follow the policies laid down by our Government (Ministry of Tourism). The Pacific Area Travel Association Conference which has just concluded its session at New Delhi, has, as a result of its deliberations, come to certain valuable conclusions pertaining to tourism and matters connected with it. A careful note of these has been taken by your Directors since, in so far as the growth of our Hotel Industry is concerned, they would serve as useful guidelines.

13. Anchor Breweries Limited:

This subsidiary could not get off to a start because of the Prohibition policy introduced by the Tamil Nadu State Government. Now the Central Government's decision to inintroduce total prohibition throughout the country, in a phased manner, has left your Directors with no alternative but to dispose of the machinery, in whole or in parts. in order to prevent funds being blocked any longer.

14. Shipping:

It may be recalled that, in conformity with the decision taken by the members, Sudarsans entered into the field of shipping with the formation of a fully owned subsidiary, Sudarsan Liners Limited, and, acquired its first ship "Sudarsan Shakti". The working results of this unit have been quite encouraging.

With a view to increase the total tonnage, Sudarsans acquired the controlling interest of The Malabar Steam Ship Company Limited, Bombay which has three ships of its own. This additional acquisition gave Sudarsans the total tonnage of 31,483 (DWT).

The above venture, undertaken with the best of intentions, unfortunatly coincided with the worldwide shipping crisis. A number of factors have contributed to this unfortunate global problem. The more important of these being the pressure of new tonnage in the face of diminishing demand for shipping space coupled with phenomenal increase in operating costs. All these and similar constraints are the active ingredients of the present crisis. Perhaps the crux of the problem has been the oil prices which had a shattering impact generally on world trade and economy. Shipping tonnage was established on expectations of large movements of oil and other commodities. Instead, there has been universal slackening in international trade. Indian shipping could not remain isolated from these world trends which, in turn, have adversely affected its fortunes.

If I may further elaborate, freight rates have declined in view of the lower demand for shipping space. Freights today are in fact so low that there is hardly any possibility for shipping companies to make a profit, since, while revenues have dropped precipitously, costs have not gone down. The net result has been the serious problem of liquidity and adverse ways and means position.

It has, therefore, become imperative to bear in mind that Indian Shipping to survive has to be highly cost conscious with austerity as the order of the day. We have, so to speak, to roll with the punch in the sure and certain knowledge that better days are ahead and it is just a question of keeping our heads above water till then. This is an aspect which is important to appreciate and accept.

At this critical juncture shipping industry looks up to the Government for relief. We, on our part, would adopt an approach of extreme care and caution but by no means an attitude of defeatism since it is only a question of time before things improve.

15. Conclusion:

All of you are aware that your Company, despite numerous difficulties, has continued to put up an impressive record of service over the last decade. In today's modern industrial world, diversification has become an acknowledged policy; accordingly no effort will be spared to ensure that the requisite infra structure is created to support, sustain and secure our cherished goals of planned development and all round economic growth.

May I now conclude by conveying my gratitude to our valuable constituents, customers and subscribers for their total support. Our thanks are also due to the able and professional service rendered by our auditors, legal advisers and bankers. I must also thank and congratulate our employees, agents and Executives of all levels for their very capable and dedicated performance during the year.

Finally, may I convey my sincere thanks to our Managing Director, Mr. M. Velayudhan, and my colleagues on the Board for the valuable services they have rendered to the Company during the year.

JAI HIND

Maj. Gen. D.C. MISRA,
M.C. (RETD.)
Chairman

Calicut,
31st January, 1978.

NOTE: This does not purport to be the proceedings of the meeting.

COMPANY AFFAIRS

Reliance Textile

THE PRELIMINARY statement from Reliance Textile Industries on its working results for the year ended September 1977 revealed an all-round impressive improvement over the performance in the preceding 15-month period. The directors have proposed a dividend of 15 per cent which fulfils the most optimistic expectations entertained by investors subscribing to the shares offered for sale in December. Nearly 60 per cent of the dividend was expected to be tax-free. Sales during 1976-77 were placed at Rs 66.96 crores against Rs 62.78 crores in the preceding 15 month period, representing an increase of 33 per cent on an annual basis. The gross profit has shot up from Rs 1.74 crores to Rs 4.32 crores. After providing Rs 1.36 crores for depreciation, Rs0.75 crores for investment allowance reserve and Rs 5 lakhs for taxation, the net profit amounts to Rs 2.18 crores against Rs 59 lakhs. After providing for the proposed dividend which will claim Rs 89 lakhs, the balance has been transferred to the general reserve taking the total reserve to Rs 8.29 crores.

Union Carbide

Union Carbide, which has diluted its foreign equity to 50 per cent and is willing to reduce it to 40 per cent under the Foreign Exchange Regulations Act, is likely to achieve a major breakthrough in the field of high-technology capital project exports. Following the exports of the Rs 3.60 crore turn-key project for the manufacture of Temik, a potent insecticide to France, the company has received several inquiries for such jobs. It is now negotiating an export deal with Pakistan involving the setting up of a waste water treatment plant. Indonesia has also sent in an inquiry for a Sevin plant to manufacture an insecticide and Panama has expressed a desire for the company's participation in its project for the manufacture of ethylene from alcohol which that country has in abundance. A Sevin plant for Korea and an ethylene separation plant using alcohol as the feed-stock for the Philippines are under negotiation.

The company's overseas collaborators expect the Indian unit to undertake turn-key jobs in the developing countries of the east and west. To facilitate the project coordination, the parent company has set up a new organisation at Hong Kong.

Sophisticated Jobs

The company has also undertaken several sophisticated jobs within the country. It has supplied a modern distillation plant to the Kotha heavy water project. The filtration device will help upgrade the heavy water to the atomic energy requirements. The company is planning to set up facilities to crack associated gas from Bombay High to substantially increase the production of ethylene from which it expects to double the output of low density polyethylene and add a like quantity of high density polyethylene. The use of associated gas is significant in that it will relieve dependence on naphtha. The naphtha thus saved can be used for fertiliser plants or for any other priority sector. Moreover, the use of gas has the advantage of being relatively pollution-free. Initially, the company will crack 77,000 tonnes of ethane/propane to produce 44,000 tonnes of ethylene. Out of this 20,000 tonnes each of LDPE and HDPE will be produced. At present the company is using 80,000 tonnes of naphtha to obtain 22,000 tonnes of ethylene accounting for 22,000 tonnes of LDPE. The plant for cracking the associated gas of Bombay High is expected to be ready in 1981. The entire project will be indigenous.

Chowgule Matrix Hobs

Chowgule Matrix Hobs promoted by the house of Chowgules, entered the capital market on January 27 with a public issue of 284,000 equity shares of Rs 10 each and 8,000 redeemable cumulative preference shares of Rs 100 each to raise a part of the capital for its Rs 1.89 crores project for the manufacture of high precision hobs for cutting of gears, worm wheels, spline shafts and sprokets wheel. The project is being located at Pattancheru in Medak district of Andhra Pradesh.

The company's plant is expected not only to meet a substantial portion of the internal demand but is also expected to earn foreign exchange by export. The balance of the cost of the project will come from IDBI rupee term loans, foreign currency loan from
ICICI Rs 27.70 lakhs, IF
Rs 24.30 lakhs, central subs
Rs 15 lakhs, deferred paym
Rs 2.50 lakhs and unsecu
loans from APIIC Rs 2
lakhs. The company has
cured technical collaborati
from Pons and Cantamessa
Torino in Italy, said to b
world leader in this line
manufacture. The manag
ment of the company feels t
the low equity capital base w
be in the interest of the inv
tors.

Revathi-CP Equipmen

An Indo-US joint venture
to be established at Coimbato
for the manufacture of sophis
cated drilling rigs and alli
products. The new compan
Revathi-CP Equipment Lt
has been promoted by Revat
Machinery Traders, whi
manufactures and sells con
truction and drilling equi
ment, in technical and financi
collaboration with Chica
Pneumatic Tool Co, New Yor
USA. The company plans
manufacture for the first tim
in India drills which will inco
porate advanced type of h
draulic equipment and variab
volume type compressor sui
able for drilling in both so
and hard formations. It ha
been licensed to manufactu
100 water-well rigs and blas
hole rigs per annum along wit
accessories and allied produc
of the value of Rs 250 lakh
each. Considerable progre
has been achieved in the imple
mentation of the project. Th
entire plant and machinery
being procured from indige
ous sources and a major po
tion of the raw materials an
components required are avai
able in the country.

The manufacture of drillin
rigs has already started and ste
have been taken to manufa
ture the two prototype models

mmercial production is ex- cted to begin by the middle this year. The project cost estimated at Rs 121.86 lakhs ich will be met by equity pital of Rs 44 lakhs, prefe- nce shares of Rs 13.88 lakhs, m loans of Rs 69 lakhs and secured loans of Rs 3.88 khs. The promotors, Revathi achinery Traders, have al- ady been allotted equity ares of Rs 16 lakhs and pre- ence shares of Rs 5.12 lakhs. ne foreign collaborator, Chi- go Pneumatic Tool Co, is king up equity shares of s 24 lakhs. The balance of 0,000 equity shares of Rs 10 ch and 14,880 preference ares of Rs 100 each will be fered to the public shortly.

almia Dairy

Dalmia Dairy Industries has ported favourable results for e year ended September, 977. Sales have risen by 19.8 er cent, from Rs 524.92 lakhs Rs 626.07 lakhs and the gross rofit has increased by about 2 per cent from Rs 29.96 lakhs Rs 57.42 lakhs. The equity ividend has been stepped up rom 12 per cent to 15 per cent nd is covered by over nine mes by the years earnings. fter providing Rs 22.28 lakhs r depreciation and Rs 2.14 khs for investment allowance eserve, there is a surplus of s 32.99 lakhs against Rs 5.89 khs. Dividend will absorb s 3.55 lakhs. Sales in the rst two months (October- ovember 1977) of the current ear have increased to Rs 14.94 lakhs from Rs 79.15 khs in the corresponding eriod last year.

richy Steel Rolling Mills

Trichy Steel Rolling Mills has roposed an equity dividend f 7.5 per cent for the year nded September 1977. A portion of the dividend will be exempted from tax, an application for which has been made to the income tax authorities for seeking relief under section 80 K of the Income Tax Act. After providing Rs 6.83 lakhs for depreciation and Rs 34.00 lakhs for investment allowance reserve, there was a net profit of Rs 2.89 lakhs. Equity dividend will absorb Rs 2.77 lakhs and the balance of Rs 11,165 has been carried forward.

Voltas

Voltas chairman, Mr A. Hydari, has blamed the company's disappointing performance during the year ended August 1977, when despite a small increase in turnover its gross profit dropped sharply from Rs 228.81 lakhs to Rs 88.94 lakhs, entirely due to factors beyond the company's control. The heavy interest

ARE YOU RESPONSIBLE FOR PAYING

- Salaries
- Dividends on Company Shares
- Interest (Including interest on Securities)
- Insurance Commission
- Sums due to Contractors and Sub-Contractors for 'Work' or 'Labour' contracts
- Winnings from Lotteries and Crossword Puzzles ?

ENSURE THAT :

CORRECT AMOUNT OF INCOME TAX IS DEDUCTED at source at the prescribed rates.

The TAX-so deducted is PAID to the credit of the Central Government on the appropriate challan form within the prescribed time.

The PRESCRIBED RETURNS OF SUCH DEDUCTIONS AND PAYMENTS are sent to the Income-tax Department in due time.

APPROPRIATE CHALLAN FORMS

*For tax deducted from salaries ITNS 191 ITNS 39

*For tax deducted from payments to companies. ITNS 39A

*For tax deducted from payments (other than salaries) to any non-corporate person. ITNS 39

CAUTION

Failure to comply with the statutory obligation to deduct tax at source and to pay it to the credit of the Government in due time renders the defaulter liable to recovery of the tax, charging of interst, levy of penalty and imposition of a fine, besides prosecution if the default is without reasonable cause.

HELP MOBILIZE RESOURCES BY TIMELY COMPLIANCE WITH TAX LAWS

Issued By :
DIRECTOR OF INSPECTION
(Publications & Public Relations)
INCOME TAX DEPARTMENT
NEW DELHI.

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burden is mentioned as the single major factor responsible for the erosion of profit margins. The chairman made the point that if the company is a large borrower, it is not on account of "profligate use of funds but due to high level of customer outstandings". The aggregate of the company secured and unsecured loans has for ten years been consistently lower than the level of sundry debtors which implies that it is borrowing primarily to finance its customers.

Kirloskar Brothers

Kirloskar Brothers has recorded a setback in its working during the year ended July, 1977. While sales have increased from Rs 30.45 crores in 1975-76 to Rs 31.16 crores in 1976-77, the gross profit has declined sharply from Rs 131.93 lakhs to Rs 18.85 lakhs. After providing Rs 50.49 lakhs (Rs 40.64 lakhs) for depreciation, Rs 9.28 lakhs (Rs 7.82 lakhs) for investment allowance, there is a net loss of Rs 40.92 lakhs against the net profit of Rs 59.47 lakhs. After some adjustments, including a transfer of Rs 56.47 lakhs from the general reserve, a dividend of six per cent has been declared against eight per cent for the previous year. Equity and preference dividends will absorb Rs 15.99 lakhs (Rs 20.08 lakhs).

The company's export business has continued to increase during the year. In the first four months of the current year, the overall production has also increased.

Sayaji Mills

Sayaji Mills, Ahmedabad, has shown improved performance during the year ended March, 1977. Sales have risen from Rs 17.42 crores in 1975-76 to Rs 21.94 crores in 1976-77. The working has resulted in a gross profit of Rs 84.20 lakhs against the loss of Rs 104.85 lakhs in the previous year. After providing Rs 36.01 lakhs (Rs 41.34 lakhs) for depreciation, Rs 4.34 lakhs for investment allowance, Rs 50 lakhs (Rs 8.17 lakhs) for gratuity and Rs 2.19 lakhs (Rs 1.76 lakhs) for taxation for earlier years, there is a net profit of Rs 36.07 lakhs against the net loss of Rs 156.12 lakhs. After adjustments, a deficit of Rs 30.22 lakhs has been carried forward.

The textile division showed improvement but not up to the management's expectations. Sales in this division were higher at Rs 8.32 crores against Rs 6.25 crores. There has been a change in the product-mix. The company is poised to manufacture blended fabrics in a big way. The maize and chemicals division showed satisfactory working during 1976-77. Its working in the current year has also been satisfactory. The tapioca factory in Kerala suffered owing to labour unrest and closure for about five months.

Capital and Bonus Issues

Consent has been granted to seven companies to raise a capital of Rs 13.8 crores. The details are follows:

The Triveni Engineering Works Ltd, New Delhi, a public limited company, registered in the union territory of Delhi and having a paid up capital of Rs 185 lakhs, have been granted consent valid for eighteen months, for issue of equity shares worth Rs 40 lakhs as rights on pro-rata basis, for cash at par. The proceeds of the issue are to be utilised to meet a part of the cost of expansion and modernisation programme.

Philips India Limited, Calcutta, has been accorded consent, valid for 6 months, to capitalise Rs 2,71,60,600 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every five equity shares held.

L.G. Balakrishnan and Bros Limited, has been accorded consent, valid for 6 months, to capitalise Rs 4 lakhs out of its general reserve, capital redemption reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for each equity share held.

Soundararaja Mills Limited, Dindigul, Tamil Nadu has been accorded consent, valid for 6 months, to capitalise Rs 12,00,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for every three equity shares held.

The Jutibari Tea Co Ltd, has been accorded consent, valid for 6 months to capitalise Rs 10,30,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of one bonus share for two equity shares held.

Auto Piston Manufacturing Co Limited, Amritsar has been accorded consent, valid for 6 months, to capitalise Rs 4,80,000 out of its general reserve and issue fully paid equity shares of Rs 1000 each as bonus shares in the ratio of one bonus share for each equity share held.

The Minerals and Metals Trading Corporation of India Limited, has been accorded consent, valid for 6 months, to capitalise Rs 900,00,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for each equity share held.

**Directorate of Purcha
and Stores.**

Director, Directorate of Purc
and Stores, Department of Ato
Energy, Bombay, invites tenders
detailed below :
1. DPS/VEC/IEE/71 DUE
3.3.1978 : Digital Multimeter 4½ d
with 1/UV resolution—3 Nos.
2. DPS/BARC/IEE/1340 DUE
6.3.1978 : UV visible spectropho
meter recording as well as manu
operated grating type with tempe
ture control provision—1 No.
3. DPS/BARC/IEE/1417 DUE
7.3.1978 : Semiconductor X-
Spectrometer with detector w
preamplifier—1 No.
4. DPS/BARC/IEE/1422 DUE
7.3.1978. Portable pneumatic cali
rator to be used as calibera
standard for liquid level and diffe
ntial pressure transmitters etc. 1 N
5. DPS/BARC/IEE/1426 DUE
8.3.1978 : Touchless techogenera
for speed measurement without a
physical contact with rotating p
or shaft—1 No.
6 DPS/BARC/IEE/1429 DUE
8.3.1978 : Liquid chromatogra
High pressure with Sample injec
solvent delivery system, column a
detector system and accessories
1 No.
7. DPS/BARC/R-5/ IEE DUE
9.3.1978 : Digital Plotter—1 No.
8. DPS/BARC/R-5/IEE/51 DU
ON 9.3.1978 : Low level solid st
analogue gate cards (chopper ty
series with demodulation amplifier
10 Cards.
9. DPS/BARC/R-5/ IEE/52 DU
ON 10.3.1978 : Pneumatic edge w
receiver indicators with and witho
alarms in various quantities.
10. DPS/RRC/IEE/379/due DU
ON 10.3.1978 : Universal testi
machine for accurate testing
material in tensions compressions
100 KN capacity—1 No.
11. DPS/RRC/IEE/381 DUE O
13.3.1978 : Secondary standa
optical pyrometer disappearing fil
ment type to caliberation of oth
temperature sensor.
12. DPS/BARC/R-5/IBE/53 DU
ON 14.3.1978 : Helium mass spe
trometer leak detector for the dete
tion of leak of the order of 1×10-
std.cc./sec. of helium and accessori
—1 No.
Tender documents priced Rs. 20
for items 1,4,5,11; Rs. 30/- for ite
7 & 8; Rs. 40/- items 2,3,12; Rs. 50
for item 9; Rs. 60/- for item 6; a
Rs. 80/- for item 10 and Gener
conditions of contracts pric
Re. 0-50p can be had from the Fin
nce and Accounts Officer, Depar
ment of Atomic Energy, Directora
of Purchase & Stores, 3rd Floo
Mohatta Building, Palton Roa
Bombay-400 00 1 between 10 a.
& 1 p.m. on all working days exce
on Saturdays. Import Licence wi
be provided only if the items are n
available indigenously. Tenders wi
be received upto 3 p.m. on the du
date shown above and will be opene
at 4 p.m, on the same day. The rig
is reserved to accept or reject lowe
or any tenders in part or full witho
assigning any reasons.
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Foreign collaborations

Government approved 101 cases of foreign technical and financial collaborations during the months from April to September, 1977. Out of these, 16 cases involved financial participation and 85 technical collaboration only.

The foreign collaborators are Austria, Denmark, West Germany, France, Hungary, Switzerland, Italy, Japan, Sweden, the United Kingdom, the United States, the Soviet Union, Belgium, German Democratic Republic and Netherland.

Sl. No.	Name of the Indian company.	Name of the foreign collaborator	Item of manufacture
1	2	3	4
	(April—June 1977)		
	INDIA—AUSTRIA		
1.	M/s. Gujarat State Fertilizer Co. Ltd., P.O. Fertilizernagar, Distt. Baroda, Gujarat.	M/s. Chemie-Linz, Austria and M/s. Voest-Alpine of Austria.	Melamine
	INDIA—DENMARK		
2.	M/s. Danfoss (India) Ltd., 706-707, Surya Kiran, 10, Kasturba Gandhi Marg, New Delhi. (Composite case).	M/s. Danfoss A/s DK-6430, Nordborg, Denmark.	Metallic bellows.
	INDIA—WEST GERMANY		
3.	M/s. Indo-Burma Petroleum Co. Ltd., Netaji Subhas Road, Calcutta. (Composite case).	M/s. Leybold Heraeus GmbH & Co., 5 Koln-Bayental, Gnedes Trasse, West Germany.	Freeze drying plants.
4.	M/s. The Mysore Lac and Paint Works Ltd., Post Box No. 82, Mysore-1 (Karnataka)	M/s. AEG Isolier und Kunststoff GmbH, Postfach 100147, D-3500 Kassel, Federal Republic of Germany.	Anti-Corrosive Paints and Isolating Varnishes etc.
5.	M/s. Ruston & Hornsby (India) Ltd., 1, Forbes Street, Fort, Bombay-1.	M/s. Motoren-Werke Mannheim AG, 5, Carl Benz Strasse, 68 Manheim, Federal Republic of Germany.	Diesel Engines.
6.	M/s. Heavy Engineering Corporation Ltd. Plant, Plaza Road, Ranchi.	M/s. Siemeg Transplan GmbH, 5902 Netphenl 1, FRG.	Inclined skip system.
7.	M/s. Engineering Project (India) Ltd., "Kailash", Kasturba Gandhi Marg, New Delhi.	M/s. Braunscheweigische Maschinen—bauanstalt, BMA, 33, Braunschweig, Post Box 3225, Federal Republic of Germany.	Reduction gear drives for cane crushing mills.
8.	M/s. Southern Industrial Corporation Ltd., "South India House", 99, Armenian Street, Madras.	M/s. Ackermann U. Schmitt AG, Maschinenfabrik, Raite-Isbergstrasse 49, 7000 Stuttgart 1, F.R.G.	Portable electric tools.
*9.	M/s. Marshall Sons & Co. (Mfg.) Ltd., Marshall Building, 9, Second Line Beach, Madras. (Composite case).	M/s. Fried Krupp GmbH, F.R.G.	Coal/coke or and mineral crushers and vibratory screens/tube screens.
10. *(F)	M/s. Usha Telehoist Ltd., 14, Princep Street, Calcutta. (Composite case).	M/s. Walter Hunger International, F.R.G.	Hydraulic cylinders.

1	2	3	4
11.	M/s. The Indo-Burma Petroleum Co. Ltd., Gillander House, Netaji Subhas Road, Calcutta. (Composite case).	N/s. Leybold Heraeus GmbH & Co., F.R.G.	Rotary Van Vacuum Pumps.
12.	M/s. Hamtool Manufacturers Pvt. Ltd., 48, II Main Road, Bangalore.	M/s. Heinrich Flottmann GmbH, Federal Republic of Germany.	Down the Hole Pneumatic Hammers.
13.	M/s. Ghatge Patil Industries Ltd., P.O. Uchagaon, Kolhapur, Maharashtra.	M/s. Zahnradfabrik Friedrichshafen Aktiengesellschaft, D-7900, Friedrichshafen, P.O. Box. 307, FRG.	Electromagnet Clutches, Brakes.
14.	M/s. Heavy Engineering Corpn. Ltd. Plant, Plaza Road, Ranchi.	M/s. GHH Sterkrade, Aktiengesellschaft, 4200 Oberhausen, II Postfach 110240, FRG.	Mining Equipment.
*15.	M/s. Premier Mills (CBE) Ltd., Electronics Units, Unit No. 3, SEEPZ. Andheri East, Bombay. (EPZ Case)	M/s. Schaefer, Mess technik GmbH & Co., KG, D-7401, Kustard-ingen/Tubingen, FRG.	(Db) VU Meters.
16.	M/s. NGEF Ltd., P. Bag No. 3876, Bangalore, Karnataka State.	M/s. AEG-Telefunken, FRG.	Modular high voltage induction motors.
17.	M/s. Millars Machinery Co. Ltd. Himalaya House, Kasturba Gandhi Marg, New Delhi.	M/s. Teka Baumaschinen GmbH, 6730 Neustadt (Weinstrasse), Post fach 300, F.R.G.	High Speed Pan Mixer & Fully Automatic Batching & Mixing Plant.
		INDIA—FRANCE	
18.	Mr. Ashok Khanna, 759, Sector-8B, Chandigarh.	M/s. S.B.B.M. Ourdet S.A., Damprichard, France.	Watch Cases.
		INDIA—HUNGARY	
*19.	M/s. Liberty Enterprises, Central House, Railway Road, Karnal.	i) M/s. Technoimpex, Hungarian Machine Industry Foreign Trade Co., Budapest V. Dorottya U., Hungary. ii) M/s. Konsumex Foreign Trade Co., 1371, Budapest V., Tenacs Krt. 26 Hungary. iii) M/s. Intercooperation Co. Ltd. for Trade Promotion, 1253, Budapest l, Hungary.	Leather Footwear Uppers.
		INDIA—SWITZERLAND	
*20.	M/s. Micronix Control Corpn., P.O. Box 1196, INDIA HOUSE, Opp. GPO, Bombay-400001.	M/s. Lenco Ltd., Burgdorf, Switzerland and Lenco Italiana, Italy.	i) LB 68 Commutator Direct Current Motor. ii) 2 Pole Shaded Synchronors iii) 4 Pole Shaded Hysteresis-Synchronors.

—Contd.

1	2	3	4
		INDIA—ITALY	
*21.	M/s. Lohia Machines Pvt. Ltd. 73-A, Fazalganj, Kanpur.	M/s. Taematex S.P.A., Vergiate, Via Sempione 125, Italy.	Tow to Top Conversion equipment. breakers, rebreakers, tow transformers, intersecting machine.
22.	M/s. Bombay Furnace Ltd., 5, Stadium House, 83, Veer Nariman Road, Bombay.	M/s. Ing. F. Ferre C.S.P.A., 20143 Milano, Via, Morimonodo, Italy.	Electrically Heated Bogie Hearth, Furnaces.
		INDIA—JAPAN	
23.	M/s. Dumet Wire India Ltd., 11, Tukoganj Main Road, Indore.	M/s. Sunaga Tungsten Industrial Co. Ltd., 261, Asakura-cho, Tochigi-Koh, Japan.	Tungesten Wire, Tungesten Filament, Molybdenum Wire.
		INDIA—SWEDEN	
*24.	M/s. Universal Cables Ltd., P.O. Birla Colony, SATNA (MP). (Composite case).	M/s. ASEA Kabel of Sweden.	XLP Cables.
*25. (F)	Mr Vijayam Varadan, Nariman Point, Bombay. 400021.	M/s. DIPA SA CH., 1262, Switzerland.	Aromatic Chemicals & Industrial Perfumes and Products thereof.
*26. (F)	Mr N. P. Dhawan, J 189, Rajouri Garden, New Delhi. (Composite case)	M/s. Robert Mathys, Battlach, Switzerland.	Oerthopaedic-Bones Surgery Implants, and Prothese for Internal Fixations.
27.	M/s. Indian Steelworks Construction, ISCON House, Burdwan Road, Distt. Darjeeling (West Bengal).	M/s. Elektro GmbH, Gallerstrasse 27, Winterthur, Switzerland.	Wind Power Plant and Wind Water Pumps (Generator).
*28. (F)	Mr Moiz M. Hossein, 70, Lakshmi Insurance Bldg., Sir P.M. Road, Bombay.	M/s. Bracker SA, CH-8330, Pfaffikon—Zurich (Switzerland)	Mail Eyes (to be used in wire heads for textile weaving looms).
		INDIA—UK	
29.	M/s. Reyrolle Burn Ltd., 10 C Hungerford Street, Calcutta.	M/s. Reyrolle Belmos Ltd., Blantyre, Glasgow, UK.	Flameproof Circuit Brackets upto 11 K.V.
*30. (F)	M/s. Snail Spanners (India) & Tools Ltd., 87, Nagdevi Cross Lane, Bombay.	M/s. James Neill Holdings Ltd., Napier Street Sheffield S11 8 HB, UK.	Pliers, Nippers and other hand tools.
31.	M/s. Hind Rectifiers Ltd., Lake Road, Bandhup, Bombay.	M/s. Westinghouse Brake & Signal Co Ltd., 3 John Street, London, WCIN 2 ES, UK.	Thyristors
*32.	M/s. Baker Horstmann Mercer (India) Ltd., 401—Jolly Bhavan, No. 2, Bombay. (Composite case).	M/s. Thomas Mercer Ltd., Wood Road, St. Albans, UK.	Lever Type Dial Gauges and Dial Type Cylinder Bore Gauges.

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I	2	3	4
*33.	M/s. Roto Pumps & Hydraulics Pvt. Ltd., 7/188, Swaroop Nagar, Kanpur. (Composite case).	M/s. Stothert and Pitt Limited, UK.	Positive Displacement Pumps (Screw Pumps and Lobe Rotor Pumps).
*34.	Mr G.B. Chandy, c/o Hevea Bonds & Linings Pvt. Ltd., Kalamassery, Cochin-22. Kerala.	M/s. Sutcliffe Rubber Co. Ltd., Asbrook House Church Street, Ossett, West Yorkshire, WF5, 9DJ, UK.	Rubber to metal bonded products.
35.	M/s. General Electric Co. of India Ltd., 'Magnet House', Chittaranjan Avenue, Calcutta.	M/s. General Electric Company Ltd., 1, Stonhope Gate, London W1 (UK).	DC Circuit Breakers
36. (F)	M/s. Best & Crompton Engg. Ltd., 13/15, North Beach Road, Madras. (Composite case).	M/s. Rotork Controls Ltd., UK.	'K' range of Actuators.
*37.	M/s. Lebocey Needles Industries, G.T. Bye-Pass Road, Ludhiana.	M/s. T. Grieve & Co. Ltd., Coalville, Leicester England.	Hosiery Needles, Jacks & Sinkers.
38.	M/s. Susaka Pvt. Ltd., 40-E, K. Khadye Marg, Jacob Circle, Bombay.	M/s. Pre-Formed Windings, Co. Ltd., Farm view Works, Sheffield Road, Hackenthrope, Sheffield S 12 4 LT, UK.	Full epox thermal class F coils for motors/generators of power generation Plants.
39.	M/s. Balmer Lawrie & Co. Ltd., 5, Graham Road, Ballard Estate, Bombay.	M/s. York Trailor Company Ltd., Corby, Northamptonshire, NN 18 8 AH, UK.	Marine Freight Containers
40.	M/s. Jesons Electronics Ltd., 73, Sundar Nagar, New Delhi.	M/s. Chemical & Carbon Products Ltd., Eveready House, 1255 High Road, Westone, London.	Dry Cell Batteries.
41.	M/s. Fertilizers & Chemicals Travancore Ltd., FACT Engineering & Design Organisation, Udyogmandal (Via) Cochin.	M/s. SIM-Chem. Ltd., Warren Road, Cheadle Hulme, Cheshire, UK.	Phosphoric Acid Plant.
42.	M/s. Jardine Victor Ltd., 4, Clive Row, Calcutta.	M/s. Victor Products (Walls end) Ltd., P.O. Box Walls end; Northumberland, NE28 6PP, England.	Hand Held Hydraulic Drills.
*43. (F)	Mr Sanjay Sen, 24/1, Ballygunge, Circular Road, Calcutta.	M/s. Stahl Cnemicals (G.B.) Ltd., Loughborough, Le 11, ord., UK.	Leather finishes
44.	M/s. Paper Mill Plant & Machinery Manufacturers Ltd., 181, Swami Vivekanand Road, Jogeshwari, Bombay.	M/s. Arrow Projects Ltd., Greaves Place, London SW 17 ONE, UK.	Paper Mill Machinery.
		INDIA—USA	
*45.	M/s. Audco India Ltd., L & T House, Ballard Estate, Bombay.	M/s. Crane Co., 300 Park Avenue New York, USA.	Industrial Valves.
*46.	M/s. Wimco Ltd., Indian Mercantile Chambers, Nicol Road, Bombay.	M/s. Beatrice Foods Co., 120 South La Salle Street, Chicago, Illinois 60603, USA.	Processed Meat and Meat Products.
47.	M/s. Southern Nitrochemicals Ltd., 3/202 Goviddappa Naick Street, Madras.	M/s. Hercules Inc., Wilmington, Delaware 19899, USA.	Nitric Acid
48. (F)	M/s. Tata Sons Ltd., Bombay House, Sir Homi Modi Street, Bombay. (Composite case).	M/s. Burroughs Corporation, USA.	Computer Peripherals, etc.
*49.	Mr S.K. Rungta, A-12, Gulmohar Park, New Delhi.	M/s. Electronic Application Co. Inc., 4918 Santa Avenue, El Monte, California, 91734, USA.	Reed Relay (Electronic components)

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1	2	3	4
50.	M/s. Power Systems & Projects Pvt. Ltd., System House, Palghat, Kerala.	M/s. RFL Industries Inc., Communication Division, Boonton, New Jersey 07005, USA.	Power Line Carrier Equipment for 400 KV and above transmission line.

INDIA—USSR

*51.	M/s. Bharat Heavy Electricals Ltd., 18-20, Kasturba Gandhi Marg, (New Delhi).	M/s. Prommash-export, Moscow (USSR).	H.P. Heater Armature for D.C. Motors & Thermal Sets.

ABSTRACT

1. Approvals involving financial participation.	:	8	
2. Approvals involving only technical collaboration.	:	43	
Total	:	51	(Including 8 composite cases and 1 EPZ case.)

(July—September 1977)

INDIA—BELGIUM

*1.	M/s. Hardcastle & Waud Manufacturing Co. Ltd., Brabourne Stadium, Nariman Road, Bombay-400020.	M/s. Libert Freres, S.P. R.L. Powder Coating Div. Nekkersputstraat 179, B-9000 Ghent, Belgium.	Powder Paints

INDIA—WEST GERMANY

*2. (F)	M/s. Usha Telehoist Ltd., 14, Princep Street, Calcutta.	M/s. Walter Hunger K.G., Hydraulic Work, D-8770 Lohram, Postfach 380, FRG.	Oil Seals and 'O' Rings.
3.	M/s. Industrial Cables (India) Ltd., Industrial Area, Rajpura (Punjab).	M/s. Kabel-und Metallwerke Gutehoffnungesbutte Aktiengesellschaft, Kabel Kamp 20, 3000 Hannover, FRG.	Crosslinked Polythylene Insulated Power Cables.
4. (F)	M/s. Industrial Consulting Bureau Ltd., Nehru House, New Delhi.	M/s. Nikolaus Sorg GmbH & Co., FRG.	Glass Melting Furnaces.
5.	M/s. Mukand Iron & Steel Works Ltd., Lalbhadur Shastri Marg. Kurla, Bombay.	M/s. DEMAG, Lauchhammer, D 4100, Duisburg-13, FRG.	Slab Yard Crane
6.	M/s. Utkal Machinery Ltd., Kansbahal, Dist. Sundergarh, Orissa.	M/s. Fried Krupp GmbH, Krupp Industrie-und Stahlbau, 2940 Wilhelmshaven, FRG.	Slab Yard Crane
7.	M/s. Engineers India Ltd., Samachar Bhavan, 4, Parliament Street, New Delhi.	M/s. Oschatz GmbH, Dampfkesselfabrik, 4300 Essen, Westendorf 10-12, FRG.	Waste Heat Boilers.
*8.	M/s. Anup Engineering Ltd., Anil Starch Premises, Anil Road, Ahmedabad.	M/s. Krauss Maffei, Krauss-Maffei Aktiengesselschaft, 8000, Munchen 50, Krauss, Maffei Strasse, FRG.	Industrial Centrifuges, Pushers Peel Pendnlum, Decanter, Tumbler & Baffle Ring type.
9.	M/s. Pental International, (Steel Div.) D-38, Defence Colony, New Delhi.	M/s. Egon Evertz KG, 5650, Solingen, FRG.	Repairs of Moulds used by Steel Plants.
*10.	M/s. Dagger-Forst Tools Ltd., First Pokhran Road, Thana (Maharashtra).	M/s. Oswald Forst GmbH, 565 Solingen, FRG.	Broaches (Cutting Tools)

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1	2	3	4
11.	M/s, Metal Box Co. of India Ltd., Barlow House, 59C Chowringhee Road, Calcutta.	M/s. MABEG Maschinenbau GmbH, Machf, Hensel & Pleines GmbH, 605, Offenbach, Gerberstrasse 35, FRG.	Mabeg Non-stop Continuous Feeders.
		INDIA—FRANCE	
*12.	M/s. The Brihan Mahrashtra Sugar Syndicate Ltd., Commonwealth Building, Laxmi Road, Poona.	M/s. Camux, "La Grande Marque" Place, Cognac, France.	Brandy. (Jules Bouchard, Chalfonte & Jules Laina).
13.	M/s. Bharat Heavy Electricals Ltd., 18/20, Kasturba Gandhi Marg, New Delhi.	M/s. Alsthom Savoisienne, 25 Rue Des Bateliers, 93404 Saint-Ouen, France.	400 KV Transformers & Reactors
14. (F)	M/s. Weweld Metal Bellows Pvt. Ltd., 33, Sethi Industrial Estate, 10-E, Suren Road, Andheri (East) Bombay. (Composite case)	M/s. CALORSTAT, France	Metal Bellows and Bellow Assemblies.
15.	M/s. Aluminium Industries Ltd. No. 1, Ceramic Factory Road, Kundara, Kerala.	M/s. Delle.Alsthom, 130 Rue Leon Blum, 69611 Villeurbanne. France.	Current Transformers above 66 KV and upto 321 KV.
16.	M/s. Needle Roller Bearing Co. Ltd., Second Pokhran Road, Majiwade, Thana.	M/s. Nadella S.A., 92500-Rue il Malmaison, (France).	Needle Roller, Needle Bushes, Needle Cages, Needle Thrust Bearings and combined Needle Bearings.
		INDIA—GDR	
17.	M/s. T. Maneklal Mfg. Co. Ltd., Vaswani Mansions, Dinshaw Vachha Road, Bombay-400020.	M/s. Kombinat VEB Warkemaschinenbau, Karl-Marx-Stadt, 90 Karl-Marx-Stadt, Annaberger Strasse 73, GDR.	Warp Knitting Machines.
		INDIA—ITALY	
18.	M/s. Standard Pharmaceuticals Ltd., 24, Park Street, Calcutta.	M/s. Pierrel S.P.A., Milan, Italy.	Erythromycin and its salts.
		INDIA—JAPAN	
19.	M/s. Punjab State Industrial Dev. Corp. Ltd. S.C.O. 54-56, Sector 17-A, Chandigarh.	M/s. Shizuki International Co., 4-23 Tanaka-Cho Nishi-nomiya city, Japan.	HT & LT Power Capacitors with Polypropylene Dielectric.
20.	M/s. Shriram Vinyl & Chemical Industries, Shriram Nagar, Kota.	M/s. Shin Etsu Chemical Co. Ltd., 6-1, 2-Chome, Ohtema chi, Chiyoda-ku, Tokyo.	Mercury Pollution Protective Technology.
21.	M/s. Transformers & Electricals Kerala Ltd., Angamally South, P.O. Pin Code 683573, Ernakulam Distt., Kerala.	M/s. Hitachi Ltd., Tokyo, Japan.	Bushings upto 400 KV and on load Tap/upto 400 KV.

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1	2	3	4
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23.	M/s. Andhra Pradesh Industrial Dev. Corpn. Ltd., Shakar Bhavan, B-1-174, Fateh Maidan Road, Hyderabad.	M/s. Nitto Boseki Co. Ltd., 1 Yaesu, 6 Chome, Chuo KU, Tokyo, Japan.	Continuous Filament Fibre Glass
*24.	M/s. Mukand Iron & Steel Works Ltd., L.B.S. Marg, Kurla, Bombay.	M/s. Wasino Machine Co. Ltd., Mainichi Bldg. Horiuchi-cho, Nakamura-ku Nagoya, Japan.	Castings to the Weight Range upto 5 tonnes.
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INDIA—USA

1	2	3	4
*38.	M/s. The Delhi Cloth & General Mills Co. Ltd., Unit DCM Data Products, Shivaji Marg, Delhi. (Composite case).	M/s. Applied Computing Technology, Inc., USA.	Serial Dot-Matri Printers.
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ABSTRACT

1. Approval involving financial participation :	8
2. Approvals involving only technical collaboration :	42
Total :	50

(Including four Composite cases.)

'F' Cases involving financial participation also.

* Cases with export orientation.

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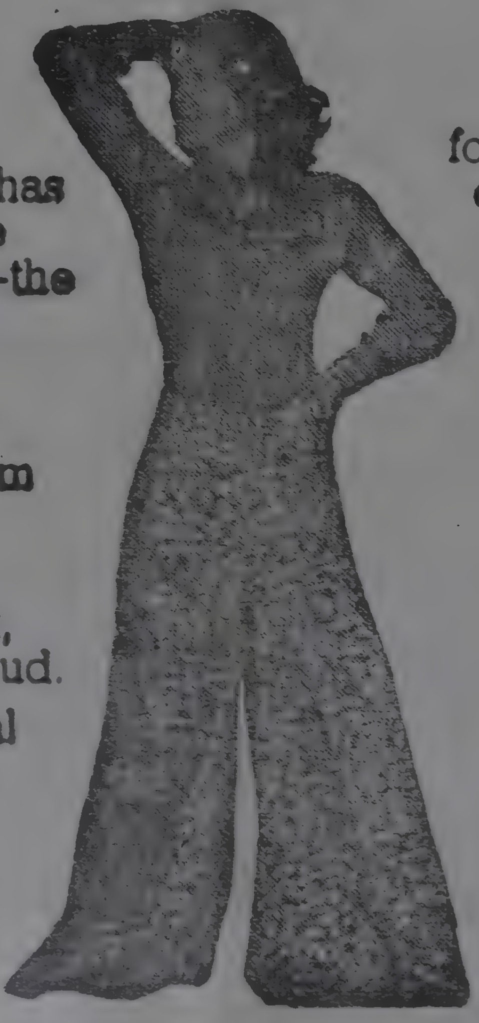
Printed and published by **R. P. Agarwala** on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block, Connaught Circus, New Delhi.
Editor : V. Balasubramanian
Registered at the GPO, London, as a newspaper

Licensed to post without prepaymen
Regd. No. D (C) 257
Registered with the Registrar of News
for India under No. R.N. 535/5



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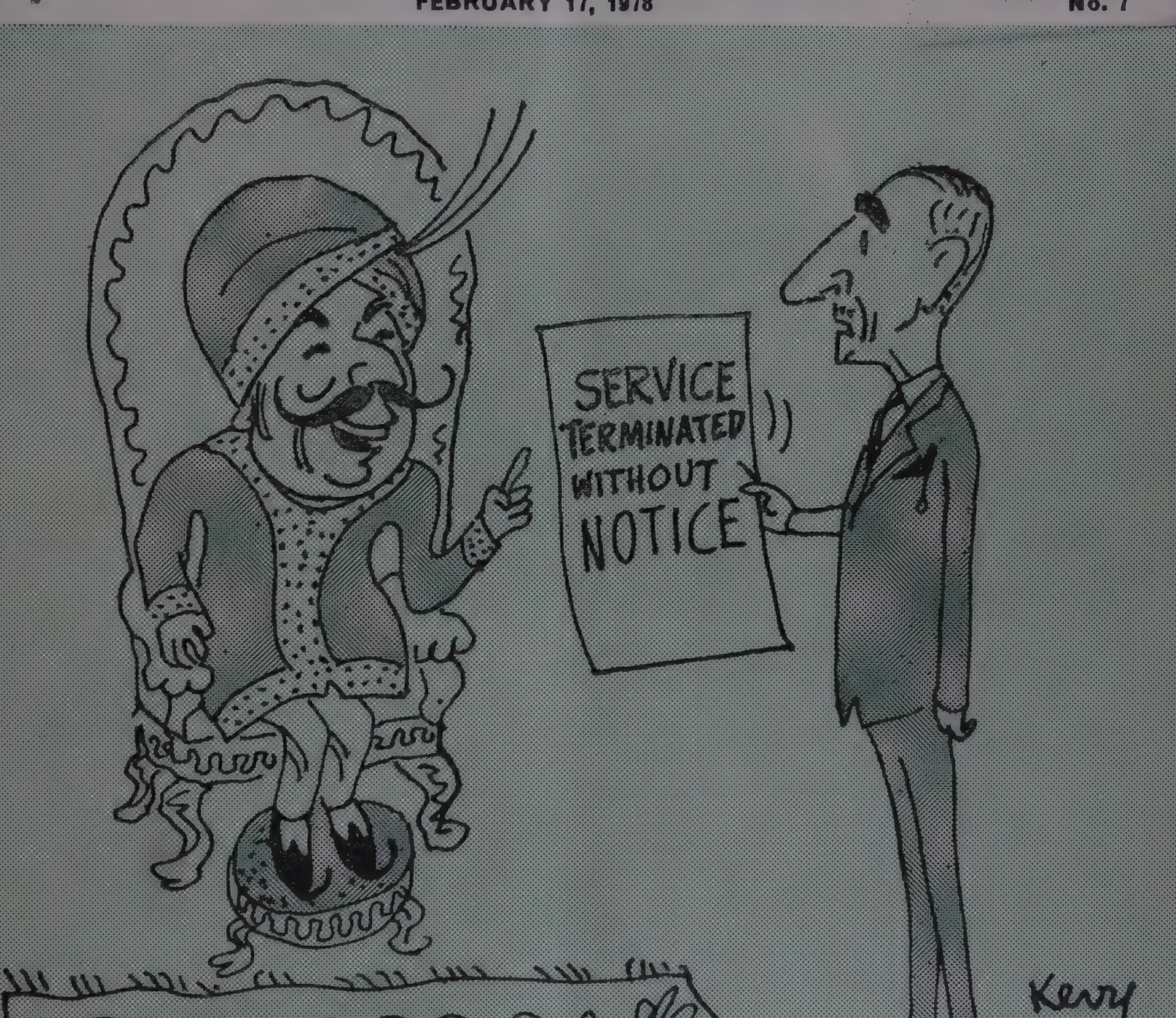
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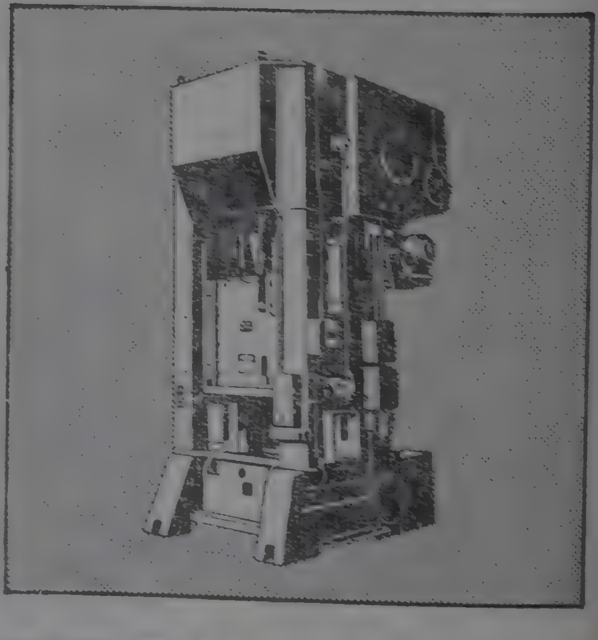

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ECONOMIST

VOL. 70 NO. 7 FEB. 17, 1978
Price Rs 2.50

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Facing the people

Last year, in March, the people went to the poll to reaffirm and restore first principles. There was a great deal of idealism in this, but the electorate was practical too. It sought to push out Mrs Indira Gandhi and her emergency regime, and in the process, drive the party of which she was the leader into the political wilderness. Here it succeeded to a remarkable degree. The Indira Gandhi government was brought down with a heavy thud and although the Congress party remains a substantial opposition party in parliament, its moral basis was shattered and its political foundations violently shaken.

All this left the Janata party the legatee of office at the centre. The people had to put something else in the place of the Indira Gandhi government and the only choice they had was the Janata party. In this sense this party has been on trial from the beginning. Even the June elections for ten state assemblies and two union territories, which saw the Janata party scoring decisive victories in all but three states, made no material difference to this situation. Especially in the northern states, where the Congress party had been routed at the earlier Lok Sabha election, the people were merely reiterating that rejection.

The Janata party will be locking horns again with its opponents next week when five states and one union territory will be electing new local legislative bodies. The scenario however is now quite different. In a sense, the central issue remains the political destruction of the individuals and forces which contributed in varying ways to the establishment of the emergency regime or the commitment of its excesses. But the electorate cannot keep its mind blank on the Janata party's performance during the period (which is nearly a year) it has already been in office. It is here that the voters in the states now facing elections will have difficulties in delivering a clear verdict, or a verdict with a clear conscience.

For months now the country has been a suffering witness to a breakdown in discipline in many important areas of national life. Meanwhile the Janata government is yet to secure control over the performance of the economy or chart out directions for its further development. On the contrary, it has given the impression that its counsels are confused by conflicts and contradictions in the thinking of its leaders or their lobbies. In political terms again, the Janata party has been allowing things to drift. Thanks to its lack of muscle in dealing even with the discredited remnants of the emergency regime, it has not only earned the contempt of the people but it has also given scope and opportunities for Mrs Gandhi to pick up the bits and pieces.

Perhaps of more specific relevance to the forthcoming state elections is the fact that the Janata party has miserably failed to maintain even minimal standard of political leadership or administrative performance in the states where its ministries are already in power. Bihar, Uttar Pradesh, Haryana, Rajasthan and Madhya Pradesh are today in many respects as badly administered as ever they were and in many more respects worse governed than it was their lot any time earlier. On this evidence alone the voters in the states who are being called upon to mark the ballot paper next week will be fully justified if they cannot summon any particular enthusiasm for the Janata party. All the same, given the disturbing possibilities of the ferment in our national politics today, it will probably be wise for them to play safe by denying their votes to those candidates who, individually, or whose parties have had any share, whether directly or indirectly, with the emergency regime or its excesses. While it is possible that the arithmetic of this advice may go against a fair number of Janata candidates too, it may nevertheless work out, by and large, in favour of the Janata party.

Fund for tea development

THE RESERVE Bank of India Bulletin recently published a study on the finances of the tea plantation industry in the period 1965-66 to 1974-75, in the course of which a suggestion was made that the industry should be asked to create a special fund by appropriating a part of its profits every year. The Tea Association of India has been prompt in responding to this suggestion. At a meeting held in the office of the Tea Board in Calcutta on January 30, 1978, the association's president Mr S.L. Dhanuka, referred to the study of the Reserve Bank and proposed that a tea development fund should be set up. According to a press note issued by the association on February 8, Mr Dhanuka said that the fund could be operated in conjunction with the Tea Board and that tea gardens should deposit 50 per cent of their net profits into a recognised bank every year for the creation of the fund. This deposit is to be treated as deductible expense under the provisions of the Income Tax Act 1961 and the gardens may draw up to 20 per cent of the deposit and use it for meeting the cost on machinery, extension planting and replacement.

Tea Board's reaction

The association has not revealed what is the reaction of the Tea Board to the proposal to create a development fund. The board probably has asked for time to study its implications. But has this scheme been approved by the other sections of the tea industry such as the Indian Tea Association and the United Planters Association of South India? On a major issue like this, the tea industry should speak with one voice so that it will be easier for the government to take a decision and implement it properly. Of course, there is no difference in the industry about the need to take effective measures to enable it to play its role in the country's economy during the period of the sixth five-year Plan. But it remains to be seen to what extent there is unanimity in the industry about the desirability of depositing 50 per cent of the profits every year for creating the development fund.

common approach

Mr Morarji Desai, in his address to the Bengal Chamber of Commerce & Industry a few days ago, deplored the existence of too many organisatons representing industry and trade and he urged them to integrate. There does not seem to be any possibility of such integration in the near future because of many practical difficulties. But the industrial organisations should see to it that, at least on fundamental problems, they adopt a common approach in dealing with the government. In the case of the tea industry, the prospects of a development fund being set up would have been brighter if the Tea Association of India had obtained the assent of other producers' associations before submitting its scheme to the Tea Board.

The Reserve Bank's study has indicated the tea industry for frittering away its profits on dividends without ploughing them back into business. It covered medium and large public limited companies with paid-up capital of Rs 5 lakhs and above each, numbering 135 companies for the period 1965-66 to 1970-71, 123 companies for 1970-71 to to 1973-74 and 127 for 1973-74 and 1974-75. The study has revealed that the financial performance of the tea industry was "on the whole satisfactory" during the period under review. It observed: "The companies, in general, pursued a dividend policy, regardless of the need for profit retention. In 1968-69 and 1969-70, for instance, when profits after tax were considerably lower, the companies dipped into their reserves in order
to maintain the dividend payment
sulting in a depletion of reserves. V
the amount of profits ploughed back
less than one-third of the profits i
the years (barring 1970-71) until
74, the proportions of dividend to
fit after tax as well as to paid-up ca
were considerably higher than thos
respect of all other industrial gr
covered by the Reserve Bank of I
survey. This trend may be viewe
relation to the poor record of the in
try's expansion programme".

But will it be realistic to come to
conclusions about the profitability of
tea industry merely on the basis o
performance for a short period.
fortunes of the industry often fluctu
sometimes drastically, depending on
market conditions in foreign countr
The Reserve Bank's study itself adn
that "a note of caution seems necess
in respect of the companies covered
the analysis. As the data pertain to o
a selected group of companies, the
ferences drawn from trends in sales, p
fitability, etc., may not be applica
to the industry as a whole".

problematic question

However, the point to be considered
whether the tea industry can look f
ward to a period of prosperity in t
coming months and years in the conte
of the steep increase in taxation by sta
governments, the continuation of t
export duty which is regarded as exce
sive, and the ever-increasing cost of pr
duction. The government of India h
expressed its intention to increase t
production of tea by 25 to 30 millic
kgs annually in the period of the sixt
plan. It is proposed to develop an are
of 8000 hectares a year, of which 400
hectares will be developed through exter
sion planting and the rest through re
planting, replacement and rejuvenation c
the existing areas. The cost of this pro
gramme is estimated at Rs 50 crores pe
year. The Tea Association of India ha
said that the present capital outlay ha
been of the order of Rs 18 crores pe
annum and to achieve the proposed tar
get, the requirement will be more thar
double the present rate of investmen
especially because of the "tremendou

increase" in the cost of planting and replanting which is estimated to have gone beyond Rs 30,000 per hectare. The government should examine the feasibility of setting up the tea development fund but what is even more important is that it should create conditions to enable the industry to operate at a high level of efficiency. The state governments should also show a proper awareness of the role of the tea industry in developing the backward areas, in providing and promoting employment and in raising the standards of living of the people. The Tea Association has said that the recent happenings in the two states (Assam and West Bengal) are making tea planters "very apprehensive" and it would be desirable for the state governments concerned to take a realistic and national view in dealing with the industry.

disturbing trends

The problems of the tea industry have been examined in recent years by working groups and task forces set up under official auspices and their reports have highlighted not only the importance of the tea industry but also some disturbing trends in regard to its management. For instance, the Reserve Bank's study has referred to the Working Group on Finance for Tea Industry (1972) which had said in its report that "certain sections of the industry have not taken steps to conserve the available resources." Among the factors responsible for eroding the industry' profitability are "inherent lapses such as excessive capitalisation, lack of decision making capacity, poor yield due to unscientific agricultural practices, imperfect manufacturing process, misapplication of funds, lack of good marketing arrangements and poor labour-management relations". It will, of course, be unfair to put the entire blame on the industry for this situation since the authorities concerned also are to some extent responsible for it. But what is more relevant at present is for industry and government to work together in close cooperation to achieve a higher rate of growth in production and exports. Incidentally, it is interesting to note that Bangladesh is emerging as a competitor to Indian tea in world markets. In 1976-77, tea export from Bangladesh amounted to 73 million lbs compared to 41 million lbs in 1972-73, the major importers being Britain, Holland, Egypt, Pakistan and Russia. It is understood that the tea industry of Bangladesh has been assured of financial assistance for replanting and intensive cultivation. The government of India and the state governments concerned therefore should take a more positive interest in the growth of our tea industry on sound lines.

Economic pricing of cement

THE ARRIVAL of a South Korean ship carrying 20,000 tonnes of cement in paper packing in Madras harbour in the last week of January may appear to be a reversal of the earlier trend when it was confidently expected that a lucrative trade in exports could be built up involving even a quantity of one million tonnes of cement annually. Indeed the position in 1975-76 was such that the State Trading Corporation could think of entering into firm commitments for supplying cement to Iran on a long term basis. In view also of the boom in construction activity in west Asia and the relative cheapness of Indian cement due to freight advantage and other factors, export orders could be easily secured from many countries. Indian producers in the coal deficit area particularly welcome the opportunity for exporting their product more profitably as sales in the domestic market at the retention prices fixed by the government, even on a differential basis, were not remunerative and reasonable dividends could not be paid on equity capital even by the established companies.

The increase in internal consumption in the last two years has come about unexpectedly and calculations of the government and State Trading Corporation about the ability of the industry to effect exports of at least five per cent of total production, after meeting fully the needs of the home market, have been seriously upset. The STC is now in a quandary and has even been obliged to fulfil its own commitments by effecting purchases of cement in foreign countries and supplying them to the contracted purchasers. The arrangement with Iran is proposed to be renegotiated with a top delegation from that country. Instead of foreign exchange being earned through exports, losses are now being sustained against the fulfilment of commitments, as cement in South Korea, Rumania and elsewhere is costlier by over Rs 100 per tonne even excluding freight charges and insurance.

What is more, foreign exchange expenditure is now being incurred on imports of one million tonne for a period of six months on an experimental basis and the landed cost is reported to be around $ 55 per tonne. Firm contracts have already been concluded for nine lakh tonnes and imports will be received in Bombay of 3.5 lakh tonnes, in Madras of 2.5 lakh tonnes and in Cochin and Visakhapatnam 1.5 lakh tonnes each. The position will be reviewed after June end. It is the intention to continue imports until scarcity is completely eliminated or internal production catches up with the demand.

Some marketing problems are however likely to be encountered as difficulty may be experienced in Cochin, Madras and Visakhapatnam in disposing of imported cement in a compact area without involving heavy expenditure by way of freight charges. There may be no serious problems as far as Bombay is concerned as despatches of Indian cement can be suitably regulated and concentrated sales of imported cement effected in the Greater Bombay area. A longer lead however cannot be avoided when imports are received regularly in other three ports. There will have to be suitable changes in unloading of cement in different ports in the light of actual developments. But the question arises what should be the policy in regard to the pooling of prices if it is found that imports will have to be continued over a longer period and imported cement also has to be distributed in interior areas, particularly in the deficit producing centres. The government has been anxious to avoid an undue increase in end-price of cement, f.o.r destination, and the price charged to stockists has been raised only by Rs 20 per tonne. As there is some credit to the freight pool and it is also hoped that some saving can be effected in freight charges by regulating movement, a small increase in the end price has been proposed. It cannot however be overlooked that the export and internal prices in other producing countries are higher than in India and having regard to the differing conditions under which Indian producers have been functioning in different regions within the country, pragmatic policies must be adopted in regard to the fixation of retention prices for cement, bearing in mind the need for a reasonable return on investment, old and new.

This aspect of price problem has assumed greater importance as it is not merely enough to say that the government has enunciated new policy and post-tax return of 12 per cent on net worth will be assured to all producers. Apart from the arbitrary manner in which net worth has been defined for the purpose of determining the post-tax return the anomalies of the Tariff Commission's formula had to be eliminated. It is imperative that the existing confusion should be removed without delay as the surging demand for cement cannot be met by locating new factories in cement deficit areas, implementing expansion schemes of existing units in these areas or by augmenting the output of slag or pozzolana cements.

mistaken view

It is also not correct to expect that a proliferation of mini cement plants, can bring about the magic cure to scarcity. In fact the mistakes committed in the promotion of mini steel plants can again be repeated apart from the fact that the cost of production of mini cement plants will be higher than those of the large units. The fact has to be recognised that differential retention prices have to be fixed for units in the core, suplus and deficit areas. New units will have to be located in the cement deficit areas and also in the coal deficit areas having regard to the growth in demand and the existence of limestone deposits.

An analysis of the growth in capacity at five-year intervals since the beginning of the Plan era reveals that additions to capacity have been made only at an arithmetical rate. The per capita consumption in the 'seventies particularly was stagnant and even tended to decline in the face of gross under-utilisation and no brisk implementation of plan schemes. Nevertheless the growth rate for 1951-77 is around eight per cent. It will therefore be advisable to proceed on the assumption that the increase in offtake in the coming years will be at least eight per cent and with the scope for building up of a lucrative trend in export the additions to installed capacity can be at the rate of 10 per cent annually.

expansion of capacity

This will mean that during 1978-88 there will have to be expansion of capacity to 47 million tonnes from 22 million tonnes. New capacity will, thus, have to be created at the rate of 2.5 million tonnes annually at a cost of Rs 150 crores. The outlay in a 10-year period will be more than Rs 1,600 crores even granting that there is only a small increase in the cost of plant and machinery and big improvement in productivity. The question now is how new capacity should be created and in what regions. Should there be promotion of entirely new units or implementation of expansion schemes ? As the development of the industry has to take place on unprecedented scale the best course would be to encourage the implementation of expansion schemes and also the production of slag and pozzolana cements so that available clinker would be made to go a longer way. Out of the additional requirement of over 25 million tonnes of cement in the next 10 years, on the assumption that the industry will have an operating ratio of 95 per cent, clinker output will have to rise by at least 20 million tonnes.

While new units will have to be promoted in large numbers in carefully selected centres, the emphasis will have to be on implementing expansion schemes in the next five years. There is scope for expanding the capacity of the existing units in Tamil Nadu, Andhra Pradesh and Karnataka by over 1.5 million tonn while the new units can be started Karnataka and Andhra Pradesh and mi cement plants in Tamil Nadu. The exis ing companies may also be asked to sta new units as has been done by Associat Cement Companies as their experien will be useful for this purpose.

southern contribution

The southern region can still be a dom nant producer with the capacity rising 15 million tonnes by 1987-88. There w have to be addition to capacity rough at the rate of 7.5 lakh tonnes yearly. A about 2.5 million tonnes can be adde through expansion schemes the balance five million tonnes should be in respect entirely new units. The low proportic in respect of expanded capacity to th target for 10 years is on account of th fact that in some areas supplies of lime stone cannot be assured for a long perio if new capacity is brought into being.

The potentialities for growth in consumption in different regions are enormous and in the southern region particularly the rate of increase may be faste than in other centres. Even the assumption that capacity of 15 million tonne will have to be made available by 1988 the surplus for other regions will be onl on the existing basis, because of regiona consumption likely to rise to 12.5 millio tonnes. This surplus is badly needed fo the Maharashtra and adjoining area which are likely to be deficit in the fac of growing consumption.

The foregoing analysis will clearly indicate that the controversy about the freigh pool arrangement having a warping effec on the development of the industry and its growth in 'uneconomic' zones has no relevance in the altered circumstances What is sought to be conveyed is the fac that about 10 per cent of total production will still have to be made available to cement deficit regions and freight pooling on a limited basis will have to be continued for all time. The future of the cement industry is therefore bright and there are no constraints in regard to the availability of raw marterials, machinery and the like. The only constraint relates to the pricing policy and the lack of proper understanding of the economics of working of cement units.

CAPITAL'S CORRIDORS

C. Raghavan

Poser for the Supreme Court—what is an industry? • Casteism in the elections • Shah Commission and the Pandit Bros case

THE SUPREME Court is currently struggling with a ticklish issue that will have its impact on hundreds of thousands of workers and their employers : What is an 'industry' for the purpose of the Industrial Disputes Act, 1947.

A seven-member bench of the court has been hearing this case for more than three weeks, though unfortunately not a line has appeared in the press. The court is struggling with the problem simply because over the years repeated words from the court, drawing the attention of the legislature to the need for a clear enunciation of legislative policy and its intention, has been ignored by parliament. Conflicting judgments of the court itself, zigzagging from one view to another, have made the law somewhat chaotic. The importance of the case now being heard lies in the fact that, if the argument of the Janata Attorney-General, Mr S. V. Gupte, is accepted by the court, a very large section of governmental and semi-governmental employees (who are now considered to be industrial workers) will cease to be so. Mr Gupte has sought to inject the "profit-making" concept into the economic activity.

definition of industry

The Industrial Disputes Act has defined 'industry' as meaning "any business, trade, undertaking, manufacture or calling of employers and includes any calling, service, employment, handicraft or industrial occupation or avocation of workmen". Judicial opinion in the country, rarely consistent, has been clear in one matter: the plain meaning of the definition in English makes it very wide and almost anything in which there is an employer-employee relationship can be brought in. As one Supreme Court judgement years ago noted, even the relationship involving a domestic servant and his employer, employees of a solicitors' firm, employees of clubs etc all will come under this and the court thought this could not have been intended. Parliament's attention was drawn but it did not choose to interfere—may be because parliament did want this wide meaning or it did not want to touch something which through an amendment could open up a Pandora's box.

the origin

The Industrial Disputes Act itself owes its origins in India to the second world war and the Defence of India Rules. The British government had an interest in preventing strikes and lockouts that would have impeded the war effort and exercised adjudicatory powers. Later it became the Industrial Disputes Act. Various philosophies got added on to the law both as a raison d'etre and in interpretation—the need to have industrial peace since strife might well lead to law and order problems, the need to have industrial peace in order to maintain goods and services essential for the community, the need for industrial peace in the overall economic interests of the country, the concept of social justice and several others. Excepting in some matters, it is the central or state government that has to decide that in the event of a strike or lockout or threat or possibility, there is a dispute that needs to be settled peacefully by adjudication and has to set the ball rolling by reference of t industrial dispute to adjudication.

The courts, and particularly the Su reme Court, in interpreting the definitio which it has repeatedly admitted is ve wide in plain English language, bega reading some limitations excluding this that calling, this or that service—e. public hospitals or a club. The confusin thicket, ultimately came before Justic Krishna Iyer during the emergency—whe he was confronted with two opposin Supreme Court judgments. He wrote a order, explaining the problem, and aske for a seven-member court to go into i The matter was brought up for hearin only after the emergency ended. Variou parties and lawyers have been advancin arguments whether professional callings institutions run by charitable organisa tions, public services and utilities shoul or should not be brought within the scop of 'industry'. If any are excluded, it doe not mean there will be no strike; it jus means the appropriate government wil have no power to intervene to settle the strike by adjudication.

This is an intensely human and social problem with great implications for industry, labour and the economy. Yet our news media—radio, news agency and newspapers, even those having a legal correspondent—have chosen to ignore all this. This too is censorship—censorship because of professional incompetence at various levels and gross negligence by editors of a public duty. May be the remedy may ultimately lie in the Supreme Court organising its own press information bureau, and newspapers and news agencies will then appoint accredited correspondents who will pick up press releases and issue them as their own !

* *

As the election campaign in the eastern and southern states is getting into its last lap, partymen and workers of various parties are struck by the lack of any major issues coming up. It is not merely local issues rather than national—even here the voters do not seem to be exercised by any. Efforts of the parties to try to whip up excitement on issues appear to have failed. And behind the speeches would appear to be determined efforts to invoke caste and

LIONS DO NOT COMPROMISE!
NOR DO WE

USE

"THREE LIONS"
BRAND

SODA ASH &

CAUSTIC SODA

SODA BICARB

AMMONIUM BICARBONATE

Saurashtra Chemicals
PORBANDAR

such loyalties and sectional appeals on that basis. The Janata is making a bid on the basis of its power at the centre (and thus ability to help its supporters if brought to power in the state too) and with subtle and not so subtle hints at the "Brahmin leadership" of the Indira Congress. The Janata MP, Mr Ram Dhan's statement about the number of Brahmin chief ministers under Mrs Indira Gandhi is an example of the code language appeal to Harijans to keep away from her—keeping in mind the election law. Indira Congress is making a bid to mobilise its supporters amongst Harijans, Muslims and other minorities and backward classes. The Reddi-Chavan Congress, finding their ranks disintegrating in some ways, is battling both, again with subtle references to its own caste combinations—Mr Chavan for example has been underlining somewhat subtly that he is a Chavan (a Mahratta) and not a Joshi (a Brahmin).

This is a truly depressing picture within a year of the 1977 Lok Sabha election when the country and the people thrust aside all such appeals and loyalties to get rid of the emergency regime.

* *

The Shah Commission, which in January went into the second stage of its inquiry —on eleven issues in which it throught Mrs Indira Gandhi and some of her colleagues had a *prima facie* case to answer, and on which it is yet to hear arguments—has gone back to the first stage to look into the Pandit Brothers case and Mr Dhirendra Brahmachari and his ability to get things done for himself, before and during the emergency.

If the commission's switching back and forth, from its investigative to inquiry to investigative stages (and their varying procedures) has caused some confusion and even snide comments that it is working with an eye on the electoral battles under way, it has only itself to blame.

The Pandit Bros case—involving raids on the firm and arrests of senior partners for alleged offence of tagging, and sales tax and income-tax matters—all within a few weeks of proclamation of the emergency brought home to many the uglier and seamier side of the emergency. While the prosecution for the tagging offence dragged on and was finally withdrawn only some months after the emergency ended and the new government took over, in the income-tax case, the Supreme Court intervened and ensured justice. Some of the characters involved have now come forward to escape responsibility and put the blame on Mr Sanjay Gandhi though the way some of them, including the former lieutenant governor of Delhi, are now putting on the cloak of poor hapless pawns, is nauseating, considering the way these personalities strutted around in those days.

However, the proceedings before the Shah Commission have not thrown any light on some of the other aspects of the excesses of this case. The versions of the income-tax officers and higher officials now are at variance with their sworn affidavits before the Delhi High Court, where the Pandit Bros took their income-tax problem first. Their two lawyers, Mr D.P. Singh MP (who belonged to the ruling party then) and Mr R.K. Garg (CPI MLA), both swore affidavits (an unusual thing for lawyers) specifically relating to the actions of the ITO and the income-tax commissioner. After admitting it, and on the commissioner denying the allegations on affidavit, the court (instead of holding further inquiry) dismissed the case in limine (Justice Deshpande). When it came before the Supreme Court, Justice Krishna Iyer's observations at the preliminary stage unnerved the department and they agreed they were in the wrong and promised to make amends and judg the case properly. Unlike in the Manek Gandhi case, the court was not satisfied and while technically 'dismissing' th appeal, passed suitable orders and recorded its views, making clear that the versio of the lawyers represented the truth.

This, as well as the fact that two leader of the bar chose to withdraw from the case (after agreeing to argue it in the courts), succumbing to the pressures o the Income-tax department, was one o the seamier aspects of the entire episode. Some of it is found in the records of the case, and some in the published narration of it by Mrs Urmilla Haksar, wife of Mr P.N. Haksar and a partner in that firm. At that time the entire episode so angered me as a journalist, that I managed to publicise (in the PTI) the Supreme Court hearings by adopting tactics that fooled the Censors, but later paid the penalty.

But it is a pity that the Shah Commission did not explore these matters. Mr Shah has been asking petty officials why they did not stand up. Here was a ninstance where even leaders of the Bar, some occupying high positions in the Janata government now, buckled under—either because of the fear that the Income-tax department could give them trouble personally, or that pressures might be applied by the regime through other sources.

Eastern Economist 30 Years Ago

FEB. 20, 1948

Dr John Matthai's extempore speech introducing the railway budget for 1948-49 struck a note of subdued optimism. The budget estimates show a net surplus of Rs 9.85 crores which is much in excess of Rs 4 crores which the Transport Minister was able to envisage in November last. Even so, a realistic appraisal of the situation would underline the need for caution. The deterioration in rail transport which had set in at a rapid pace as a result of the civil strife following the partition of the country has been definitely arrested and there is clear evidence that the process of steady progress has started. This does not, however mean that a marked or conspicuous improvement is being recorded.

We have just turned the corner; there is no apprehension of a recurrence of the critical situation of strain and a period of three years on a modest calculation will probably have to elapse before the transition is completed and normal conditions of traffic are resumed. The element of uncertainty has not totally disappeared and it will be imprudent to make any commitments in financial arrangements beyond the period of transition. The revised estimates for the post-partition period of the current year show that the original estimates somewhat missed the mark, though surprisingly enough, they were not very far out. Some deviation was inevitable in view of the fact that the data on which the calculations were based were not only presumptive but quite inadequate.

Central excise assessment

F. L. Berarwalla

The author enumerates here the documents to be filed and describes the procedure how the central excise is assessed and the functions of the various authorities in the departmental hierarchy.

On receipt of the monthly returns, the central excise officer incharge shall verify the particulars recorded therein with the help of the approved classification list and approved list of assessable values with him. An assessee is required to furnish the following returns:—

(i) Classificatian list in the prescribed form of excisable goods produced, manufactured or warehoused and other goods produced and cleared by the assessee. This return has to be submitted once in the beginning and thereafter only when any change is made in the goods declared or in the rates of duties.

(ii) Price list of goods showing all particulars necessary to know the value under section 4 of the Central Excises and Salt Act, 1944. No further price list need be submitted at periodic intervals unless there is a change in the price of excisable goods produced.

monthly return

(iii) A monthly return in quadruplicate in form RT—12 showing quantity of goods manufactured/received in bond and issued duty paid etc. RT—12 return should be based on the RG—1 accounts. Thus total quantity of packed and loose excisable goods to be shown in column 'quantity manufactured' in RG—1 should be indicated in column No 4 of RT—12 which need not be split up for showing the packed and loose goods separately. The return should show separate details for each sub-item of the tariff, for each variety assessable at a separate rate under an exemption notification and for such other varieties as many as specified by the collector in any particular case. This return can be prepared and submitted for a shorter period also, if required or permitted by the collector. Provided that the assessees who do not pay any duty, need not file quarterly returns. If, however, they reach 80 per cent of the exemption limit in any quarter, then for subsequent periods, monthly returns(in form RT—12) will have to be submitted and once such limit is exceeded, the return will have to be filed every month.

(iv) A quarterly return in form RT—5 for one or two important specified raw materials. If the account of raw materials is not required to be maintained, the submission of this return will also not be necessary. The assessee is required to submit this return to the range officer in duplicate.

POINT

OF

VIEW

(v) Other periodic returns RT—7 to RT—11 as prescribed under the rules have to be sent by the manufacturers.... As particulars of non-excisable goods produced and removed would be available in the classification list, the assessee need not file monthly return in form RT—4. If the central excise officer in charge discovers any discrepancy, which necessitates his visit to the factory, he will visit the factory for investigation. He will, thereafter, complete the assessment memorandum on all copies of the monthly return and also endorse the particulars in the personal ledger account. If, during the course of his checking and assessment, the officer detects any short levy, he will make suitable endorsement in the assessment memorandum on form RT—12 itself advising the assessee to pay the deficiency within 10 days of the receipt of the copy of the return. Where a refund becomes due to an assessee after checking the monthly return, the assessment order will be countersigned by the superintendent of central excise and thereafter the assessee will be permitted to take credit in his personal ledger account for the excess payment. In cases where the assessee has determined t duty liability provisionally, the assessme memorandum will be suitably endorsed that provisions of Rule 9-B of the Centr Excise Rules, 1944, are invoked for sho recovery, or refund of duty, on finalis tion of the rate of duty.

the levy

The term 'levy' appears to be wider its import than the term 'assessment'. may include imposition of a tax as we as assessment. The term 'imposition' generally used for the levy of a tax o duty by legislative provisions indicatin the subject matter of the tax and the rate at which it has to be taxed. The terr 'assessment' on the other hand is generall used in this country for the actual procedure adopted in fixing the liability to pa a tax on account of particular goods o property or whatever may be the object o the tax in a particular case and determining its amount. The word "levy" doe not seem to extend to 'collection.' Articl 265 of the Constitution makes a distinctio between "levy" and "collection". *Assistant Collector of C.E. v. National Tobacc Company of India*, AIR 1972 SC 2563.

The central excise officer in charge cannot levy duty and make assessments in terms of trade notice. The assessmen under the Central Excises and Salt Act, 1944 must be done by the authorities concerned in judicial or quasi-judicial manner. The said assessments must be in accordance with either the provisions of the statute or in accordance with the rules framed under the statute which have statutory force. Assessment of levy of duty cannot be made by any kind of executive direction or additions of new definitions of items in the taxing statute. An assessee or a person liable under a particular statute has the right to be assessed in accordance with the provisions of the law and he has right to be protected against any executive direction as to how the assessment is to be made which is not sanctioned by the legislative provision. There is no authority for the collector of central excise to issue the trade notice in respect of assessment under the Central Excises and Salt Act, 1944 by which either addition or extension of definition can be made. *Kusum Hosiery Mills (Pvt.) Ltd v. Collector of Central Excise and others*, 1973 Tax LR 2327.

When the assessment is made by the deputy superintendent or the assistant collector of central excise, the collector to whom an appeal lies against his order of assessment cannot control or fetter his judgement in the matter of assessment. If the collector of central excise issues direction by which the deputy superintendent or the assistant collector is bound, no room is left for the exercise of his own independent judgement. The assessing authorities exercise quasi-judicial functions and they have duty cast on them to act in a judicial and independent manner. If their judgement is controlled by the direction given by the collector it cannot be said to be their independent judgement in any sense of the word. An appeal then to the collector of central excise becomes an empty formality. So the direction given by the collector in such a case is invalid and the proceedings before the deputy superintendent or the assistant collector are vitiated. *Orient Paper Mills Ltd v. Union of India*, AIR 1970 SC 1498.

gross violation

The assessment without a notice to the party concerned is gross violation of fundamental principles of judicial procedure. It is now well settled that an order of assessment being a quasi-judicial order, there could be no decision within the meaning of the statute if there is anything done contrary to the essence of justice. Such assessment is also gross violation of the principles of natural justice of *audi alteram partem* rule and is void. Therefore, the civil court's jurisdiction to decide whether the assessment was illegal because of non-compliance with the fundamental principles of judicial procedure is not excluded. *Kartick Chandra Jana and others* v. *State of West Bengal and others*, 1974 Tax LR 2264.

It will be noticed that there is no provision, either in the Act or in the rules, expressly authorising the holding of an inquiry by the assessing officer. But the assessing officer is required to pass an order of assessment. There is enough indication in the Central Excises and Salt Act, 1944, and the rules to show that the assessing officer should approach the whole question in a judicial manner and not arbitrarily or capriciously. The conferment of wide powers to summon witnesses to give evidence or produce documents by section 14, and the provision for appeal and revision against his order, are themselves sufficient to show that he cannot act arbitrarily. *Hindustan General Electric Corporation Ltd* v. *Superintendent of C.E. Ranchi*, AIR 1966 Pat. 248. In making an assessment, or estimate, of the probable losses during storage or otherwise, for allowing deductions in the processing losses, the excise officer is not entitled to make a pure guess and make an assessment of the losses without reference to any evidence, or any material at all. No doubt the assessment or estimate of the losses must to some extent be arbitrary, but there must be something more than bare guess and suspicion, to suppor the estimate of the losses. *Abdul Karim Abdul Majid* v. *Collector of Centra Excise, Patna*, AIR 1957 Pat. 650.

The collector of central excise cannot levy duty and make assessment in terms of trade notice. The assessment under the Central Excises and Salt Act, 1944, must be done by the authorities concerned in judicial or quasi-judicial manner. The said assessments must be in accordance with the rules framed under the statute which have statutory force. Assessment or levy of duty cannot be made any kind of executive direction or additions or new definitions of items in the taxing statute. An assessee or a person liable under a particular statute has the right to be assessed in accordance with the provisions of the law and he has a right to be protected against any executive direction as to how the assessment is to be made, which is not sanctioned by the legislative provision. *Kusum Hosiery Mills Pvt Ltd* (Supra).

RECORDS AND STATISTICS

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India and the multinationals

V. P. Arya

There seems to be an undercurrent of antipathy towards foreign investment based on the mistaken impression that it dominates the country's economic scene, says the author, who is the resident director, Union Carbide India Ltd, New Delhi. This article first appeared in the December 1977 issue of *Indian Management* published monthly by the All-India Management Association, New Delhi.

THE MULTINATIONALS are comparatively a new phenomenon (although as far as India is concerned, the East India Company established in December 1600, could be called an archetype). They are, more or less, a post-world war development and have emerged, whether for good or not, as the one form of international economic organisation that seems to survive and prosper in spite of continuous attacks from home governments as well as the host countries, the trade unions, the ILO and other agencies of the UN, as to their role. Their rise to dominance has been swift and startling and the enormous resources of technology, capital, managerial talent, and man-power at their command have created suspicion apprehension, and antagonism against them. They have become the subject of acute controversies, supported by some as an obvious and desirable instrument for transfer of these resources from developed to developing countries, for mutual benefit, and detracted by others as vehicles of exploitation.

generalised debate

The debate and controversy as to the role, impact and desirability of multinationals in the Indian economy has been carried on in India too. But, generally this debate is carried on with vague and generalised statements charged more with emotion than with logic: an examination of the issues involved factually and dispassionately would, therefore, be useful.

The first and foremost question is, whether we need foreign technology and investment or not. On foreign technology the answer would obviously be in the affirmative. There is no country in the world, including the advanced countries, which is self-sufficient and does not import technology. In India, given the constraints of indigenous research, the compulsion to import techlogy is obvious. As regards the need for foreign investment, the answer is, however, not so simple.

Foreign capital for a developing country like ours may be needed for reasons of balance of payment, and to supplement domestic resources for investment. In the current Indian context, need of foreign capital is no longer that important in view of the more than comfortable foreign exchange reserve position. But as a supplement to the domestic savings, investment inflow of foreign capital (by way of grant of soft loans and private foreign investment) seems to be of great necessity.

requirement of growth

In terms of per capita income, India is one of the poorest countries and has 20 million unemployed. The Janata government has stated removal of poverty and unemloyment in 10 years as one of its objectives. Achievement of this objective requires a rate of economic growth of 10 per cent. But, according to economists, even for a modest economic growth of say six per cent we need a rate of domestic savings of 20 per cent of GNP. The present rate of domestic savings is stated to be around 14 per cent i.e. around Rs 9,000 crores. This leaves a gap of Rs 4,000 crores to be filled. Can this be filled by inflow of foreign capital? In the year 1976-77, the total inflow of foreign capital, comprising foreign aid and private foreign investment amounted to Rs 1,800 crores only (of this roughly Rs 1,200 crores was used for debt servicing, leaving a net foreign aid of Rs 600 crores) while total private foreign investment amounted to an insignificant Rs 30 crores only (including reinvestment of retained earnings).

These figures establish the enormous capital need of the country, and that inflow of all forms of foreign capital should be welcome. A section of economists prefer foreign aid by way of grants/soft loans to private foreign investment for the reason that grant/soft loans are cheaper. But wisdom of too much dependence on grants/soft loans is doubtful for reasons which need not be discussed here. The need for a substantial private foreign investment is thus indicated. Apart from the quantitative aspects of such a need, its qualitative aspects cannot be lost sight of because such investment comes in a package, bringing along with its technology and management skills. But we seem to have developed psychological inhibitions regarding such investment.

staggering size

The genesis of such inhibitions can be traced to the suspicions and apprehensions which multinationals arouse. What has been alarming to the developing countries is the staggering size of these 'economic monsters' and their capacity for misdeeds. For example, the International Telephone and Telegraphs, which has more than 100 subsidiaries and affiliates operating in about 70 countries, is virtually an empire richer in assets and manpower resources than some of the countries in which it operates. Its misdeeds in Chile attracted worldwide attention and criticism. There have been other instances of multinationals' misdeeds, particularly in Latin American countries.

Unfortunately, on the basis of such limited and partial experiences generalised impressions have been formed and a marked antipathy has developed amongst most developing countries towards them. To remove the misgivings about their operations, several multinationals have developed their own codes of conduct for their transnational operations. And, in response to the critical, if not always hostile, criticism from businessmen, trade unions, and governments, both domestic and foreign, a code of conduct dealing with all the social, political and economic aspects is also being developed by the UN Commission on Transnational Corporations.

As far as India is concerned, we have followed a policy of selective admission of private foreign investment and have sought to discipline their operations through formal and informal regulations now mostly codified in FERA. Provisions of FERA apply to new foreign investment as also to foreign investment already in existence. To the latter apply two other regulations whose main thrust, along with FERA provisions, is towards dilution of foreign equity holding, one relating extent of dilution to size of approved expansion plans and the other to borrowings from financial institutions. FERA and these regulations set the framework for operation of foreign enterprises in India. They appear to be, more or less, well defined but in their application there have arisen several areas of uncertainty and ambiguity, which, unfortunately, the government does not seem to be in a great hurry to remove, and which continue to act as irritants to foreign investors.

This apart, there seems to be an undercurrent of antipathy, sometimes obvious and sometimes not so, towards foreign investment, generally based on the mistaken impression that foreign investment dominates the country's economic scene and that the financial cost of foreign investment (by way of remittances back home) is greater than the financial benefits. Empirical evidence shows how erroneous is this impression.

The facts are that against a total paid up capital of Rs 5,400 crores of all companies registered in India, the total paid up capital of foreign subsidiaries and minority companies is only Rs 260 crores or less than five per cent, that on an average dividend remittance of these companies as percentage of their net worth does not exceed 3.5 per cent and that the total of their remittances back home by way of dividend, royalty payment, collaboration fees and other expenditure, as a percentage of their foreign exchange earnings averages around 30 per cent. These facts, even if we omit to take into account a good many other aspects of foreign investment such as taxes paid to the government (generally four times the net profits earned), technology and managerial transfers, employment creating effect, domestic purchasing power produced and imports substituted, should belie these mistaken impressions.

Given India's democratic set up, political stability, an alert and vigilant civil service, legal framework for foreign investment, and past experience, we should have no apprehensions as to the possibility of multinationals dominating the economy of the country or subverting its economic and political system, and their utility in the economy of the country should be seen in the correct perspective. Let us not put on ultra-nationalist blinkers and fail to see what is in the interests of the country. Hard economic realities should, as a matter of fact, induce and motivate us to seek out private foreign investment in specified priority industries rather than adopt a passive (sometimes even indifferent) attitude towards such proposals from foreign investors.

Are domestic savings growing through taxation?

Mahesh C. Varma

Since the per capita incomes in developing countries are low, there is little margin for voluntary savings. Even if the strength of those factors which weigh against private savings is admitted, the author, who is connected with the Department of Economics, Aligarh Muslim University, feels that it does not follow that the only solution is to rely upon publicly generated savings. A more effective solution is to provide the necessary encouragement to savers.

THE PROBLEM of taxation in developing countries has been receiving special and increasing attention in the context of world concern for accelerating the pace of their economic development under conditions of stability. There was a general consensus that high taxation was a source of revenue for the government, and if correctly utilized this could help in economic growth.[1] Much of the theoretical and applied work has been related to the tasks of constructing productive and equitable tax systems suited to the peculiar economic and social conditions prevailing in various less-developed countries, such as India. Any taxation policy should be so adopted that it becomes an instrument of economic growth. Tax policy must differentiate on the basis of the incomes and at no stage should taxation etch into retained earnings and/or savings which are potential resources for investment, and consequent economic growth. Most economists have argued that domestic savings for national development can be increased only by the government compulsorily reducing by taxes the personal consumption of the people. This article emphasises the urgent need for clear thinking about the reality that domestic savings for national development can be increased through taxation. An attempt has been made to highlight broadly the impact of public expenditure on developmental policy of an underdeveloped economy.

Over the past few decades there has been an immense national and international effort to raise the levels of taxation in the developing countries. Major internal inquiries such as that by the Taxation Enquiry Commission have been undertaken and independent reports by tax consultants have been solicited. In appraising the economic performance of their member countries, the International Monetary Fund (IMF) and the World Bank attach great weight to this aspect of a country's economic policy. So significant is it in the eyes of many people and institutions interested in economic development that the ratio of tax revenue to Gross National Product (GNP) is treated as one of the most important criteria for measuring and judging a country's economic performance.

Nor has this taxation effort lacked

results. In many countries, governments have shown a high degree of political self-discipline in introducing new tax measures and in increasing revenue yields. In our country, for example, the central government tax revenue has increased at the rate of 10 per cent per annum since the beginning of the country's programme of planned development in 1951, and by 20 per cent per annum during the third five-year Plan period which began in 1961. As a result, tax revenue of centre and states combined now represents about 12 per cent of GNP, compared with about seven per cent in 1951. There are, of course, exceptions but the general impression is that governments have rarely lacked willingness or ability to control an increasing proportion of their national economic resources.

fiscal structure

Our fiscal structure shows that there have been large variations after the end of world war I in the total tax revenue of the government of India. Especially substantial expansion in the share of the indirect taxes took place between 1920-21 and 1925-26, due primarily to the development of import tariff. There was little change between 1925-26 and 1938-39, though the relative importance of import duties, excise duties, and the salt-tax continued. By 1948-49, a substantial decline occurred in spite of the imposition of new excise duties, because of war-time development of direct taxation, certain reductions in rates of import duties and changes in the pattern of trade, and the abolition of the duties on salt. Budgetary analysis indicates that the contributions of various sources to the revenues of the central government have undergone a marked change during the last two decades. The total net revenue of the government of India went up considerably during these years as is evident from Table I.

The above rising tendency of revenue shows that the tool of high taxation has been made extensive use of in the tax effort of the central government since 1950-51. A significant development has taken place in the field of indirect taxation. The revenue from customs has registered a much slower growth than the increase in excise duties. The revenue from customs duties—both import and export duties—increased from Rs 157.15 crores in 1950-51 to Rs 487.62 crores in 1970-71, and Rs 1,509 crores (BE) in 1976-77. There is an increase of 210 and 924 per cent respectively. During the period of 1950-51 to 1970-71, the revenue from excise duties rose from a mere Rs 67.54 crores to as much as Rs 1,415.20 crores in 1976-77.

Yet most economists argue for more and more taxes. It is still possible to read an article by the best known of all consultant economists in the tax field—Nicholas Kaldor[2]—which is inappropriately entitled. "Will underdeveloped countries learn to Tax". Richard Goode of the IMF in his paper prepared for the Rehovoth conference on 'Fiscal and Monetary Problems in Developing States' argues that "An underdeveloped country that is determined to avoid both stagnation and inflation will have to find ways of raising large and growing amounts of tax revenue." Likewise at the most general level, both A.R. Prest[3], and R.N. Tripathi, in their identically titled books 'Public Finance and Underdeveloped Countries', give overwhelming emphasis to the need for an increasing tax effort in the developing countries. The World Bank itself, in appraising the development plans of its member countries, taches immense importance to the increa in tax revenue which can be expected fro them.[4]

This attitude and advice are releva to the development problem, provid that the government can prevent its expe diture from rising as fast as its incom Then, of course, any increase in revenu reduces public dis-saving or increas public saving. Because this assumptic is so crucial to the judgement that mu be made upon the whole strategy of dev lopment, which relies heavily on compu sory saving through taxation, its relatio needs to be examined.

Public expenditure is governed by pol cies, and its general size and shape not the business of economists—this is th conventional view accepted by most ec nomists. To the extent that it implie that public expenditure is determine aside from any economic consideration it is patently untrue. Political decision must, however vaguely, take into accour the ability of the country to spend mor on defence, education and so on. Bu there are two different ways of judgin this ability. It can be judged either i relation to the total resources of th country and to the flow of income fron these resources, or alternatively, in rela tion to a narrower concept of that pro

TABLE I

Allocation of Resources to the Government of India During 1951-77

(Rs in crores

Head of revenue	1951-56 first Plan	1956-61 second Plan	1961-66 third Plan	1966-69 annual Plans	1969-74 fourth Plan	1974-77 fifth Plan
I. **Direct Tax**	601	868	1949	1506	3231	4072
Revenue	(26)	(24)	(22)	(19)	(16)	(18)
II. **Indirect Tax**	1405	2126	4727	4384	11794	13161
Revenue	(74)	(76)	(78)	(81)	(84)	(82)
III. **Total Tax Revenue**	2006	2994	6676	5890	15025	17233
IV. **Total Revenue of Union Government**	2265	3562	8712	7787	20050	22800

Note:–1. Figures in brackets show the per cent contribution with respect of total ta revenue.

2. Under the fifth Plan period figures are up to 1976-77 having 1975-76 (RE and 1976-77 (BE).

Source:– Computation has been made with the help of Reports on Currency and Finance, Reserve Bank of India, of 1954-55 to 1975-76.

portion of these resources over which the government is able and willing to gain control.

While it may be desirable on occasion to think in terms of the whole economy, the narrower concept is probably more influential in many instances. However complicated the budget accounts may be, they are easier for the non-economist policymaker than even the simplest form of national accounts, the understanding of the basic nature of income flows. Money flowing into the exchequer has a reality and significance to the non-economist which is unlikely to be matched by the flows of money against goods and services in the economy as a whole. However, if this is correct, then the independence of government expenditure and government revenue will be undermined, with the danger which this implies to a development strategy that aims to raise the total flow of domestic savings through increased taxation and other revenue-producing policies. Detailed information of total disbursement may be varified from Table II.

dangerous argument

However, in addition to these considerations, all the writers referred to above, and many others, seems to accept the much more dangerous argument that the rise in public expenditure must be almost unconditionally accepted and the whole burden of increasing public savings thrown into taxation, despite the evidence that this is, in many instances, abortive. It is one of the tragedies of the emotionally packed environment in which economists discuss their problems that one has misgivings at suggesting or even hinting that this might not be altogether true—that possibly some part, and in some countries a large part, of public expenditure and the annual increment thereto might be of lower priority than other calls on a country's resources.[5]

Of course, a great deal of public expenditure must be accorded high priority, and some in-built rate of growth of public expenditure must be accepted as part of the development process. One obvious example of this is the increased expenditure on teachers' salaries resulting from a growing number of teaching institutions, and revision of pay scales under the University Grants Commission recommendations, but the same factor is at work in the field of health, roads, and other largely non-revenue producing sectors. However, while it is possible to accept the operation of these inbuilt factors as inevitable, there is a dangerous tendency to extrapolate these arguments into an explanation of and justification for all increases in government current expenditure.

In fact, such inevitable factors are less important in relation to our problem than other increases in the expenditure which are altogether unrelated to development, but are the outcome of autonomous policy decisions by national government. Expenditure on defence is the most obvious, but many others are familiar, even notorious. They include expenditure on consumer subsidies, the deficit of publicly operated industries, unduly high salaries of public officials, as well as the most obvious forms of wasteful prestige expenditure.[6]

The more fundamental issue, however, is whether increased public revenue intended for development may not in fact weaken the administration and, above all, the political self-discipline in restricting government current expenditure. Is it possible to resist political pressure o popular clamour for increased defenc expenditure, salary increases for public officials, and so on, when it is known that the money is in the kitty?[7] The ability to understand even simple economic analysis is not so widespread that the justification for increased tax revenue to finance a budget surplus for developmental purposes can be readily understood, let alone accepted. It is one thing for the World Bank and other institutions and people interested in development to argue for an increased tax effort for this specific purpose, it is quite another matter for governments to be able to act in such a single-minded manner. The gloomy record of inadequate budget surpluses, despite increased tax performance over the years, suggests that those who argued for a development strategy based on increased compulsory savings under-estimated and, more frequently, ignored the effect that the increase in taxation might have on public consumption. In these circumstances there is a danger that those who recommend increased taxation in the interest of economic growth may be looking at a mirage.

What, in this context, does governmental discipline of expenditure actually mean? Which expenditure can be controlled and

TABLE II

Impact of Total Disbursement with Respect to National Income

(Rs in crores)

Period	Revenue expenditure	Capital disbursement	Aggregate disbursements on revenue and capital accounts	National income	Col. 4 as per cent of col. 5.
1	2	3	4	5	6
1950-51	347	182	929	9530*	9.7
1960-61	1634	1283	2917	13267	22.0
1970-71	5666	3181	8847	34627	25.5
1971-72	6933	3578	10518	36599	28.7
1972-73	8317	4002	12319	39592	31.1
1973-74	9167	4315	13482	49290	27.4
1974-75 (RE)	10505	5580	16085	61337	26.2
1975-76 (BE)	11667	5569	17236	—	—

*The final report of National Income Committee was submitted in the year 1950-51. It had computed the national income of India at Rs 9,530 crores. The committee was appointed by the government of India in August, 1949.

Source: Reports on Currency and Finance 1963-64 to 1974-75.

to what extent can an outsider lender involve himself in such questions? It is obviously a most delicate matter to suggest to a government that it should cut defence expenditure. Even comment on such highly sensitive issues can be dangerous. Yet external lenders cannot avoid concerning themselves with this issue, the funds that they lend for a particular project might enable a country to divert into defence the funds it had itself earmarked for that project. External lenders must, therefore, if they are seeking to promote economic development rather than to underwite a defence programme, attempt to obtain an answer to such hypothetical questions as: 'How much defence expenditure would a given borrower undertake and how will that expenditure grow if we make a loan for the new railway that they must have anyway?'[8]

current expenditure

As regards expenditure classified as current expenditure in government budgets, some should rank as capital expenditure. This would embrace those funds that in fact increase the ability of the economy to produce more goods and services in the future. The financing of this expenditure, therefore, should rank as a contribution to the aggregate flow of domestic savings.

While this is true, there are two comments which need to be made. First, the acceptance of the principle must not give *carte blanche* to the acceptance of all social service expenditure as investment expenditure. Secondly, even if the investment element as an item of social welfare expenditure is accepted, its priority in terms of economic return to the expenditure must still be judged in relation to the return on alternative investments.[9]

Linked to these two points, and pervading the whole field of discussion of social expenditure, is the almost universal acceptance of the fact that this expenditure judged in vacuo is good. Everyone believes in the desirability of an educated rather than an ignorant population, healthy rather than sick pepole, and so on. It becomes particularly difficult, therefore, to argue that expenditure on such desirable objectives is itself too high or rising too fast. Yet in the light of the aims of the development decade, this may well be the case.

Naturally the only certain answer to this problem is that government should be both more rational and more self-disciplined in determining public expenditure policy.[10] Greater rationality requires the development of budgetary processes which clearly set forth the choices of ends open to the government and the implications of each choice in terms of alternatives forgone. This in its turn requires adequate accounting practices, expenditure controls including forecasting analysis, financial reporting techniques, etc. The importance attaching to these developments cannot be exaggerated and is reflected in the establishment, in 1964, of a technical advisory service in the International Monetary Fund. Thus any institutional device which helps government to achieve higher rate of economic growth must *a priori* be regarded with favour.

One device which appears to meet this need is the assigning of public funds for the financing of developmental expenditure in general, or the earmarking of particular revenues for particular developmental uses. Economists have widely argued that the earmarking of public revenues is an undesirable procedure; government should be free to determine the use to which all revenues are put. Earmarking prevents this by relating given categories or items of expenditure to giv categories or items of revenue.[11] requires an immense effort of will for a theoretical economist to convince himse that it might be desirable in certain circun stances that obstacles should be establishe to the selection of the most appropria allocation of a given supply of resource any kind. Nevertheless, if the amount non-priority expenditure is a function the availability of funds, as suggeste above, the prevention of the use of sign ficantly growing sources of revenue fo such purposes must impose greater res traint upon a government.

The danger of a mis-allocation of finan cial resources arising out of earmarkin which takes any of these forms must b readily acknowledged.[12] Some service might have a surfeit of finance and other a dearth. This danger can be reduced in the first place earmarking is undertake in a generalised form, such as the assign ing of revenues to a development fund o to wide sectors such as communication and power.

Apart from administrative devices o this nature, which are designed to make i more likely, or less unlikely, that an increased revenues will be made availabl for meeting developmental objectives, th time has, perhaps, arrived to question fo certain countries the strategy of domesti financial mobilisation which is base

TABLE III

Domestic Savings as per cent to Total Tax Revenue and Aggregate Disbursements

(Rs in crores)

Period	Total current & uncurrent series		% of net receipts of domestic savings with respect to total tax revenue	% of net receipts of domestic savings wit respect to aggregate disbursement
	Net receipts	Outstandings		
1950-51	33.89	336.20	9.5	9.7
1955-56	66.97	580.04	16.3	15.1
1960-61	104.98	982.37	14.3	3.5
1965-66	150.77	1549.33	7.9	2.5
1969-70	128.70	2030.89	5.9	1.5
1970-71	191.60	2222.49	5.9	2.1
1971-72	234.81	2457.30	6.6	2.2
1972-73	340.57	2797.87	7.6	2.7
1973-74	467.26	3265.13	11.9	3.4
1974-75	254.23	3519.36	4.9	1.4
1975-76	326.12	3845.48	5.5	1.6

Source : The table has been computed with the help of Reports of Currency & Finance, 1966-67 to 1975-76.

almost exclusively on increased taxes. Table III gives statistical evidence to this effect.

An analysis of Table III indicates that domestic saving are not playing their role in the economic development of India. Net receipts of domestic savings had increased from Rs 33.89 crores in 1950-51 to Rs 467.26 crores in 1973-74, and thereafter the same were showing a decreasing trend. In percentage terms the domestic net receipts with respect to total tax revenue of central government have shown an increasing trend from 9.5 per cent in 1950-51 to 16.3 per cent in 1955-56 and the same ratio has decreased to 5.5 per cent in 1975-76. In respect of aggregate disbursement, i.e., revenue and capital, the net domestic savings ratio has also shown an increasing trend from 9.7 per cent in 1950-51, to 15.1 per cent in 1955-56, and the same ratio has also gone down to the extent of 1.6 per cent in 1975-76. It shows that the domestic savings are contributing their share in economic development of India but in negligible ratio.

In view of the above discussion it may be concluded that since the per capita incomes are low, there is little margin for voluntary savings in sufficient measure for financing development with the result that there is large reliance on foreign aid to supplement domestic savings, and this emphasis on public saving has stemmed from factors which undermine the willingness of the private sector in less developed countries, such as ours, to make an ever-increasing contribution to the flow of domestically available savings—the urge to increase consumption, political uncertainty, fear of inflation, etc. The readiness to expand public expenditure appears to be such that total savings would probably have been increased if taxation had been reduced and private disposable incomes thereby increased. However, even if the strength of these factors which weigh against private saving is admitted, it does not follow that the only solution is to rely upon publicly generated savings. A more effective solution or at least a solution which could be given far more emphasis in development strategy than it is generally accorded, is to provide the necessary encouragements to savers. These encouragements would take the form of an appropriate pattern of terms offered to savers in securities, insurance policies, savings deposits, and other financial assets, aimed at offsetting the factors which weigh against savings and in favour of consumption.

In today's world it is mainly through their own efforts to raise their rates of savings that developing countries can add to their stock of capital. These domestic efforts are not only extremely important in themselves, but also by them the world judges the strength of a developing country's claim to financial aid.

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US advisers' report on world economy

Following are excerpts from the international affairs section of the annual report of President Carter's three-man Council of Economic Advisers.

WINDOW ON THE WORLD

AT THE beginning of 1978, the world economy faces the same problems that have confronted policy-makers since 1975—unemployment is high, margins of unused productive capacity are substantial, inflation continues at excessive rates, protectionist forces are strong, and current accounts are extremely unbalanced. On the brighter side, the virulence of underlying contractionary and inflationary forces has abated as governments have taken cautious and for the most part cooperative steps to improve economic performance. The international financial system has adapted to the need to channel the large accumulation of savings in OPEC countries to countries in deficit.

The serious problems that have beset the world economy have led some to argue that we must permanently set more limited economic objectives. In some respects this is true—we must plan for a world of less secure and more expensive energy. Nevertheless higher employment and output are achievable virtually everywhere without creating new inflationary pressures. The problems are global and the pursuit of appropriate domestic policies is constrained in many countries by international payments imbalances. Achieving the potential of the world economy will require bold policies and close international economic cooperation.

Four major economic challenges are discussed below. International cooperation is essential to meeting each one of them. If, instead of working together to sustain economic recovery and solve our other problems, governments accept a continuation of the poor performance of 1977 as inevitable, the world may well face a darkening economic future. Unilateral protectionist trade policies will flourish. Pressures for international arrangements to allocate markets in especially depressed sectors will grow stronger. The result will be a more rigid world economy, no longer capable of generating the rapid growth of trade and incomes that has characterised the post-World War II period. The developing countries, which are looking for opportunities to participate more broadly in world trade, will be particularly hurt by such an outcome.

Foreign industrial economies as a group have shown only scattered signs of renewed strength following their extreme weakness in mid-1977. The Japanese economy is experiencing very slow growth. Even with the stimulative measures announced at the end of 1977, the appreciation of the yen, together with a high personal saving rate and depressed investment, raises questions whether growth in 1978 will exceed 1977. In Europe, the economic outlook with existing policies is for rising unemployment of labour and falling capacity utilisation. For the OECD as a whole, GNP growth is likely to average 3.5 to four per cent in 1978, unless there are major policy changes in addition to those announced for Japan and those proposed for the United States in this report.

slack in economies

At the same time, most forecasts indicate that the rate of increase of consumer prices in the OECD should slow somewhat from about eight per cent in 1977 to around seven per cent in 1978. There continues to be sufficient slack in most economies to permit growth at rates moderately higher than current forecasts without foregoing a gradual reduction in average inflation rates.

Governments recognise the need for stronger expansion. In November 1977 the memher countries submitted their preliminary objectives for 1978 to the OECD. In the aggregate these goals would lead to 4.5 per cent real GNP growth for the OECD as a whole. Such an outcome would be the minimum that could be expected to arrest the rise of unemployment abroad.

The generally sluggish behaviour of business fixed investment has been a major factor keeping countries from achieving their goals...

A number of explanations have been offered for the weakness of investment. No single explanation will suffice for all countries. Nevertheless a substantial portion of the current weakness of investment in every country is accounted for by the low current and prospective rates of capacity utilisation and the effects of low levels of output on profits. In addition, the persistence of inflation has undoubtedly added to concerns that recoveries may not be sustained. Much investment that has occurred has been for modernisation projects that promise to save more in labour, energy and other inputs than their capital costs; projects that would add to capacity have, in many instances, been deferred.

Considerable attention has been focussed, as well, on low after-tax returns on capital and the poor outlook for improvement as explanations for sluggish investment. Measures of profits and the total return on capital must be treated with some reservations, but there is substantial evidence that over the past 15 to 20 years they have declined relative to GNP and relative to capital stocks in many foreign countries. Moreover it appears—in contrast to the US experience—that the fall in the rerurn on capital has been too large and too prolonged to be entirely attributable to the recent recessions, at least in West Germany, the United Kingdom and Italy.

Investment is not being held back by insufficient savings. Given the savings represented by the OPEC current account surplus and with consumer saving rates in most foreign economies high by historical standards, there is no shortage of savings in the world today. Thus a higher return on capital is not required today to assure an adequate supply of funds for investment. Rather, to encourage firms to make use of the available pool of savings for productive investment, what is needed is a sufficient margin of the expected return on capital over the cost of capital.

reducing uncertainties

One way to increase this margin and call forth more investment is to raise expectations and reduce uncertainties concerning after-tax returns on capital.

Many government actions can have an effect on these expectations by achieving continued economic recovery, reducing tax liabilities associated with new investment and reducing uncertainties and inefficiencies that result from the government regulatory process. A second way to increase the margin is to maintain an expansionary monetary policy, which reduces the cost of capital.

To some extent, views concerning the indicators of macro-economic management threaten to prevent some countries from reaching their goals. As discussed below, the significance of current acccount positions has changed in view of the OPEC surplus. In addition, attitudes about budget deficits and the growth of monetary aggregates should be formulated in the light of current economic conditions.... Similarly, rates of monetary expansion must make realistic allowance for the inherited momentum of price and wage increases and the rate at which this momentum can be dissipated. It is important to avoid such a progressive tightening of monetary conditions that investment objectives are thwarted.

In recent years, the appropriate use of monetary and fiscal policies has sometimes been constrained by views on their significance and impact. The principal tools of macro-economic policy are not themselves the ultimate objectives of policy...

potential imbalances

A programme for achieving full recovery in the industrial economies must begin with measures to raise domestic demand and capacity utilisation. Only then is sufficient investment likely to be forthcoming to achieve structural objectives such as reducing dependence on export demand and forestalling potential imbalances between capital stocks and labour forces. Both monetary and fiscal policy can make a contribution. With excess capacity everywhere, world recovery can proceed without undue concern that reasonable expansionary policies will trip off a new round of inflation.

As recovery continues and utilisation of capacity reaches high levels, unemployment may still remain unacceptably high in some countries. A more cautious approach to further reductions in unemployment would then have to be taken. It may be necessary to move progressively towards fiscal restraint to keep demand within the productive potential of the economy and meanwhile continue to promote investment with continued stimulative monetary policy and special incentives for investment.

Improved cooperation in economic policy making will be essential if countries are to succeed in carrying out such a programme. The consequences of insufficient attention to the global implications of national policies are seen in the inflationary pressures generated by the simultaneous expansion of 1973 and in the poor performance resulting from too great a reliance on export-led growth in 1977. The mechanisms for international cooperation have improved in recent years.

domestic goals

The heads of state of the largest industrial countries have met three times since 1974 to address economic problems. At the London summit last May the heads of state discussed their domestic economic goals and agreed to monitor progress toward them.

While not all of the specific goals for 1977, that were laid down at the London summit have been achieved, the exercise has proved a useful tool in improving international economic cooperation. When the German and Japanese economies proved to be weaker than officials in those countries had expected, the summit commitments reinforced domestic considerations that led both governments to implement stimulative measures in the fall. Summit commitments also supported the efforts of other governments to maintain policies directed primarily at reducing inflation and current account deficits.

The process of setting economic objectives and examining their consistency and desirability is being extended in the Economic Policy Committee (EPC) of the OECD. The EPC will continue to monitor economic activity in 1978 relative to countries' own internal goals and to the overall balance of demand and supply in the world economy. The international discussion of goals and the means to achieve them is necessary to assess the consistency of individual countries' aims, to guide the formation of policies that have good promise of achieving them and to respond to developments hat push economies off their desired ourses.

II

A country's current account balance neasures its net receipts from trade in oods and services (including investment ncome) plus net transfers from the rest of the world. It is closely related to the evel of economic activity. Higher lemand at home generally leads to more mports and thereby to a smaller surplus or larger deficit. Moreover, a decline in he balance generated by external forces nust be offset by stronger domestic lemand if GNP growth is to remain unchanged. Thus a country's current account position is an important indicator for setting demand management policies.

A country's current account balance is a useful economic indicator for a second reason. A current account surplus must by definition be matched by a net outflow of private and official investment to the rest of the world, while a deficit must be matched by a net inflow of investment.

Policy-makers must consider the sustainability of a current account deficit—whether the willingness of foreign investors to acquire claims on a country or the willingness of domestic investors to reduce claims on foreigners will remain strong enough to finance a given deficit. Changes in a country's current account position may require exchange rate changes to reconcile domestic objectives with a current account position that can be sustained. But neither the current account nor the exchange rate should be viewed as an ultimate objective of policy in the same sense that real income and the rate of unemployment are. These external variables do not directly affect the welfare of citizens, although they have important effects on variables that do.

emergence of OPEC

The presumption in the past has been that a mature industrial country like the United States would normally be in current account surplus, thus supporting a private capital outflow to capital-poor developing countries where the productivity of capital was thought to be relatively high. The emergence of the OPEC countries as major capital exporters and the troubled state of the world economy have altered this presumption, at least for the present. Although developing countries continue to welcome small current account deficits—that is, an inflow of capital—large deficits are not welcome, since these countries' export earnings are insufficient to meet the resulting increase in debt service...

Over the last four years, there has been an extraordinary divergence in countries' current account positions. Surpluses have been common among those countries—best able to finance a deficit—including the United States in 1975. As a result, borrowing by many weaker countries with large deficits strained the limits of international lenders' willingness to extend credits to them and the fabric of the international financial system was stretched thin. The movement of the United States into deficit has relieved these strains somewhat but has led to new strains in exchange markets...

effective measures

In time, as the United States and others finally accept the need to take effective measures to limit oil consumption, the OPEC surplus will dwindle and the corresponding deficits will shrink. But in the interim only action by OPEC members to reduce oil prices or dramatically raise imports, or a repetition of the 1975 world recession, would significantly reduce the OPEC surplus. The latter would be an extraordinarily costly way to reduce oil imports. Hence, for some time to come, appropriate national policies and international cooperation will be particularly important to ensure that the international financial system remains adequate to the demands that will be made on it and to reduce the large imbalances that exist aside from the OPEC surplus.

When current account imbalances arise for a given country, there are several alternative courses of action. If a deficit appears temporary—from, say, a bout of cold weather or a sharp cyclical movement—one would expect extraordinary deficits to be financed by private and official capital flows. For large and unsustainable surpluses or deficits, which are likely to persist and reflect underlying trends, adjustment must come either through adjustment of macro-economic variables, such as a change in interest rates or economic activity, or through changes in the exchange rates. Finally, there are a number of "micro-economic measures" that can be pursued, such as trade policy, protective actions, changes in the tax structure or export promotion. By and large these latter measures are not appropriate to promoting adjustment between regions. They greatly distort the underlying priorities of an economy with little payoff in adjusting imbalances. The roles of exchange rate adjustment, macro-economic measures and financing are explored further in the following sections.

exchange rates

During the first half of the 1970's, the industrial world moved from the Bretton Woods system of predominantly par value exchange rates to one in which the exchange rates between major currencies are determined primarily by market forces. The role of the exchange rate in the adjustment of countries' current account positions is potentially a powerful one. Exchange rate changes can help to eliminate persistent current account imbalances, and they can forestall imbalances that otherwise would arise in a world where inflation rates and real growth rates differ widely. Now that we have several years of experience operating with more flexible exchange rates, it is useful to review events and ask how, and how well, the system has functioned.

The present system of flexible exchange rates is not a pure floating rate system. Many smaller countries have continued to maintain the exchange rates of tehir currencies within specified limits with respect to one or more major currencies. The European joint float (the so-called "snake", currently consisting of the currencies of Belgium, Denmark, W. Germany, The Netherlands and Norway) is a significant regional arrangement for keeping exchange rate movements among members within fixed limits. The existing exchange rate system is also distinguishable from a pure floating rate system in that governments and central banks buy or sell foreign currencies in intervention operations to counter disorderly market conditions, to slow movements in rates and occasionally to prevent rates from moving.

In the period since the dollar floated in March 1973, exchange markets have gradually adjusted to the new regime. Although there have been large rate movements during this period, these movements have generally reflected fundamental developments. The historical record indicates, however, that exchange market attention has focused on different times.

Soon after it was allowed to float in March 1973, the dollar came under downward pressure once again and by July it had fallen to levels that with hindsight appear too depressed. To a certain degree, the further decline was caused by those forces that had generated pressure under the par value system. . . at the old exchange rate the United States was not competitive. Also important, however, was the desire of foreign holders of dollars to diversify their foreign exchange positions, given the initial uncertainty in the market about how the new system would function and the likelihood of larger, more frequent and less predictable changes in exchange rates. One piece of evidence for this diversification is the substantial decline in the dollar share of gross Eurocurrency assets that occurred in 1973. Evidence that central banks stood willing to enter the market forcefully to counter disorderly market conditions helped to dispel some of the uncertainties and contributed to a stabilisation of the dollar in July 1973.

III

Following the Arab Oil embargo and the announcement of higher OPEC oil prices in late 1973, exchange markets focussed on individual countries' dependence on foreign oil. In view of the United States, relatively high degree of self-sufficiency in energy, as well as the central role of the dollar as an investment vehicle for OPEC surpluses, the dollar appreciated by 12.7 per cent on a weighted-average basis from October 1973 to January 1974.

During the recession and early recovery period from mid-1974 through the end of 1975, exchange rate movements were dominated by differences in interest rates. US short-term interest rates fell relative to rates in other major countries during the US recession. The decline in interest yields on dollar assets relative to yields available in other currencies caused investors to attempt to shift out of dollars, and the dollar depreciated over a 6-month period by 8.1 per cent against a multilateral weighted average of 10 currencies. Short-term dollar interest rates turned around as the US recession bottomed out in the second quarter of 1975, while rates in other countries continued to fall. As a result, the dollar rose, wiping out the earlier depreciation by September. It is interesting to note that neither the US current account from a deficit in 1974 to a surplus at an annual rate of $16,000 million in the second quarter of 1975, nor the subsequent turnaround in the current account—developments that were largely the result of the depth and timing of the recession in the United States and in major foreign economies—had a major impact on the value of the dollar during this period.

differential rates

In 1976, exchange market participants seemed most influenced by differential rates of inflation. Market commentary at least, was preoccupied by these differences although countries whose currencies depreciated also had current account deficits. The dollar appreciated by a small amount during the year, in line with the better-than-average US price performance. The currencies of the two major countries with the highest inflation rates—the United Kingdom and Italy—depreciated against the dollar by 17.0 per cent and 21.3 per cent respectively.

Most accounts of exchange rate movements in 1977 relate these movements to trade and current account developments. Indeed the initial pressures on the dollar developed in the wake of a string of record monthly trade deficits—reflecting a major increase in oil imports and differences in growth rates between the United States and other OECD countries. As it became clear that these deficits were unlikely to shrink over a reasonable period of time, the pressure on the dollar intensified. The countries with the largest appreciations, Japan, W. Germany and Switzerland, were those with the largest and most persistent current account surpluses. The turnaround in the pound sterling also coincided with the turnaround in the UK current account.

Although W. Germany and Switzerland had somewhat lower inflation than the United States, only a small fraction of the appreciation of these countries could be attributed to actual differences in inflation rates. Moreover, developments during the year did not warrant a shift in expectations of future inflation large enough to account for a substantial part of the movement in exchange rates.

big rise

The dollar depreciation in 1977 ran counter to a strong rise in the US interest rates and declines in most foreign interest rates. During the year, US short-term interest rates rose about 350 basic points relative to those in major European countries. In the past, interest rate movements of this magnitude generated substantial private capital inflows or exchange rate changes.

The size and timing of the exchange rate changes in the episodes recounted above illustrate some implications of the fact that trade and price developments affect exchange rates through their effects on the supply and demand for assets denominated in different countries. Among the most important determinants of the price of any asset are portfolio risk, current return—for example, interest—and expectations concerning its own future value.

Interest rates and perception of risk have been major determinants of exchange rates, as seen in the 1973 and 1975 episodes. Moreover, relative price and current account developments have strongly affected exchange markets, primarily by altering expectations concerning future exchange rates. Thus exchange rates have responded to inflation and current account developments, as market participants have concluded that they would persist. Rate changes have sometimes led to actual changes in underlying variables and often followed them. When nonfinancial developments have been viewed as temporary, such as the US current surplus in 1975, they have had little effect on expectations and therefore on exchange rates.

While exchange rate movements during the flexible rate period have broadly reflected underlying developments, sustained large movements in one direction, followed by reversals, have occurred surprisingly often. These movements have often not corresponded to discounts or premia on forward exchange rates. They have been of sufficient regularity and magnitude to cast doubt on whether large exchange rate changes have always reflected the workings of a market in which new information is efficiently incorporated into currency prices. Markets have also been characterised from time to time by very thin trading, much wider than normal bid-ask spreads and large intra-day rate movements in the absence of significant fundamental developments. When these disorderly conditions prevail in the market, there is a question whether the longer-run prospects for currencies may be lost from sight. Critics of floating exchange rates have pointed to these features of the current regime to underscore the need for more active intervention by central banks and governments.

dollar reserves

Responding in part to these concerns, as well as to domestic policy needs, foreign central banks in 1977 made heavy purchases of dollars to smooth and in some cases to limit, the appreciations of their currencies against the dollar. These activities are crudely indicated by reserve movements over the year. British official reserves rose $16,200 million through October, when large-scale intervention was suspended. Japanese reserves rose $6,600 million and West German reserves $5,200 million for the full year.

It is unlikely that intervention had a major lasting impact on exchange rates. The large volume of liquid funds in international financial markets and the one-sided risks that arise when central banks come into the market heavily on one-side have meant that a large and continuing flow of intervention would be needed to keep rates from moving in response to changing expectations among managers of private foreign exchange positions. Thus the volume of intervention required to keep a rate from moving is not a reliable indicator of how far the rate would go if it were permitted to adjust freely.

a useful tool

When the Bank of England suspended its massive intervention on October 31, 1977, the pound moved to a level only 1.8 per cent higher against a weighted average of foreign currencies than the level at which it had been held. Even with the later weakness in the dollar the weighted average pound was only 5.0 per cent above its October level in mid-January. While intervention can be a useful tool in restoring order to exchange markets, substantially larger intervention than seen in 1977 would be necessary to have a large effect on rates for any time.

Eliminating most cumulative rate movements would not be desirable even if it were easier. Flexible exchange rates have been beneficial because they have helped to reduce the large changes in countries' relative price levels that would have occurred as a consequence of differential price movements among trading partners. Some significant and lasting changes in relative price levels have resulted from exchange rate changes, however. These changes have generally helped to reduce unsustainable current account surpluses or deficits.

It is not an indictment of flexible exchange rates that current account imbalances have continued to occur and in some cases have proved to be persistent. Not all imbalances can or should be dealt with through exchange rate adjustment. As noted above, it is normal and sustainable for some countries that have especially attractive investment opportunities to be capital importers and therefore to have a deficit while others have surpluses. In addition, the aggregate deficit that is the counterpart of the OPEC surplus cannot be eliminated by exchange rate changes, although exchange rates can play a role in allocating this deficit among countries.

Finally, while exchange rate changes can have a significant impact on current account balances after one to two years, their effect initially may be perverse, since the strongest immediate effect of exchange rate change is to raise many import pri and thereby increase the size of the defic This fact has two important implicatio First, if imbalances seem to be tempora —owing to demand conditions that a likely to be reserved or to supply disru tions such as droughts—expectation w not be changed, and such imbalances no mally will be financed by private capit flows. Exchange rates need not chang Second, when exchange markets are orde ly and functioning efficiently, exchan rates will respond quickly, even abruptl whenever it becomes clear that a country underlying position has moved away fro what is sustainable over the longer tern Once exchange markets have moved t reflect the new assessment, a return t exchange rate stability is possible eve though the adjustment in trade flows ma take considerable time. Capital flows ca be expected to finance imbalances durin the period of transition without the nee for significant change in interest rates.

market forces

The administration's policy towar dollar exchange rates has been to let mar ket forces determine them but to interven when necessary to counter disorderly mar ket conditions. This approach is based o the view that it is better to give marke forces continuous influence on rates, rathe than to have a period of officially determined rates followed by a sharp and disruptive adjustment. The historical experience with attempts to fix exchange rates i not an enviable one. Such policies more often than not sustained inappropriat exchange rates rather than correcting th underlying values ofcurrencies; more ofte than not they generated large private capital flow that let to serious dislocations i financial markets and spilled over to affec other policy objectives. Whilethe administration does not believe it is appropriat to maintain any particular value for th dollar, it recognises its responsibility to ac forcefully when market conditions becom disorderly.

Many managers of private foreig exchange positions normally help t stabilise the market by adjusting thei positions on the basis of careful assessments of factors affecting currency value over the medium term. These manager tend to cover more of their foreign exchange exposure in the face of the increasing risks associated with market disorder. Rates are buffeted by the flow of commercial transactions and the buy and sell orders of traders whose time horizon is measured in days or at most weeks. Under these circumstances, intervention can help to restore markets to their normal functioning…

In setting policies to achieve domestic objectives, authorities must consider the strong two-way interactions between domestic growth and inflation on the one hand and the current account balance and exchange rate on the other. Going one way, stronger domestic demand tends to result in a large current account deficit within a short time. Going the other way, an increase in the current account balance resulting from an exchange rate change or external factors will raise domestic output and employment.

In considering policies to achieve domestic goals, authorities sometimes find that policies appropriate for achieving domestic objectives also move the current account toward a more sustainable position. At other times, they face a dilemma. Two easy cases present no dilemma. One of these occurs when a country is falling short of its domestic goals and has a current account position as an additional signal to adopt expansionary measures.

restrictive measures

The second easy case occurs when demand threatens to strain the potential of the economy. A current account deficit then reinforces the need to adopt restrictive measures. In both cases current account adjustment may take place without sacrificing domestic objectives and with policy actions reducing the need for exchange rate adjustment.

The dilemma arises when there is conflict between domestic goals and the requirement for the current account to be maintained in a sustainable range. This may occur when an economy with inflationary demand pressures has a surplus. In the world economy today, however, nations more often face the dilemma of a sluggish economy with an unsustainable current account deficit. In this case, the appropriate response is to use domestic fiscal and monetary policy to attain domestic objectives, while allowing exchange rate adjustment to restore sustainable external positions. Especially for large countries such as the United States, where the economic cost of changing domestic growth is large relative to the improvement in the current account that would result, it is not appropriate to modify domestic objectives for economic growth in order to reduce the current deficit.

change in the mix

A second way in which macro-economic policy can affect the external balance is through a shift in the mix of policies. Thus a country might shift to a tighter monetary policy and a more expansionary fiscal policy when faced with a large current account deficit and a weak currency. In principle, such a change in the policy mix could be made with an unchanged GNP growth target. If investment were undesirably strong, and if it were thought that the current account deficit would soon improve, such a change in the mix of policies might be appropriate. In practice, however, differences in the lags with which each policy works and the uncertainties surrounding their effects make a shift of this kind difficult to achieve. Such policies also have effects on the composition of demand and output. First, to the extent that they strengthen the currency they reduce exports and increase imports with a significant time lag. Second, they tend to shift demand away from private investment and toward other forms of spending, thus reducing the rate of capacity growth.

It should be noted that allowing exchange rates to adjust when a country's domestic objectives and external positions are inconsistent has effects on the domestic economy that must be taken into account in setting domestic objectives and policies. Appreciation of a country's exchange rate tends to depress demand. Depreciation tends to add to inflationary pressures by raising import prices and to reduce real incomes as imports become more expensive.

Thus, when exchange rate changes do occur, they must be supported with monetary and fiscal policy, if an unchanged domestic growth target is to be met and if the full adjustment of the current account is to be realised. Countries with appreciating currencies will face a slowing of demand growth as exports are reduced and imports rise. If these effects are not offset by stimulative policies, the economy will slow and some of the potential adjustment will not be realised, since import growth will be retarded along with the slowing of domestic demand. Countries with depreciating currencies will experience a stimulus to demand that may also have to be offset. Whether the adjustment of policies should be greater in countries with appreciating or with depreciating currencies should depend on whether the countries are under-shooting or over-shooting their internal goals for output and employment.

difficult process

It should also be noted that adjustment through exchange rate movements succeeds only if the improvement in competitiveness of countries with depreciating currencies is not undone by higher wage and price increases to maintain workers' purchasing power or to obtain higher profit rates. In those economies where such wage and price adjustments are rapid and nearly proportional to exchange rate changes, gains in competitiveness from exchange rate depreciation evaporate quickly. Adjustment through exchange rate change is much more difficult and costly in terms of inflation. Such countries may be forced to accept depressed demand as the only effective way of reducing a deficit. Hence structural measures by authorities that retard the pass-through of import price increases into domestic prices and wages have a high payoff in allowing less costly external adjustment.

Over the past 25 years world trade has grown more rapidly than world output, playing a key role in economic expansion by widening available markets for raw materials, industrial products and agricultural goods. During this period the volume of world trade showed a five-fold increase—an average growth of 6,6 per cent per year. This growth was facilitated by a major movement to reduce tariffs and other trade restrictions under the auspices of the General Agreement on Tariffs and Trade (GATT). The Kennedy Round of tariff negotiations, which was completed in 1967, resulted in an average reduction of one-third in the tariffs set by industrial countries on industrial products. The growth of world trade was also supported by the reduction of trade barriers on a regional basis, such as the elimination of tariffs within the European Common Market. In 1970 agreement was also reached on a Generalised System of Preferences for industrial countries' imports from developing countries.

The growth of world trade has slowed since 1974; trade volume was estimated to have expanded only four per cent in 1977. The slower growth of trade is mainly attributable to the general weakness in the world economy. However, there has been a disturbing reversal of the trend toward trade liberalisation; this development has also contributed to the slowing growth of trade. The GATT secretariat has estimated that new restrictive trade measures have been imposed on three to five per cent of world trade since 1974.

clamour for protection

The worldwide pressure for protection from imports was also evident in the United States. In 1977 the ITC investigated petitions for import relief by over 20 industries, covering imports of nearly $ 5,000 million. The ITC recommeded increased protection in the form of tariffs or quantitative restrictions on $ 3,000 million of trade, including shoes, colour television receivers, mushrooms, and above-ground swimming pools.

Despite rising domestic pressures for protection from imports at home and abroad, the administration remains committed to a policy of open markets for both US exports and imports. The case for open markets and against import restrictions is strong. In an open trading system a country will export those goods it can produce at relatively lower cost than other countries and import goods that other countries can produce at lower cost. Countries thereby realise gains from trade that make possible higher levels of consumption and investment. Import restrictions reduce these gains. Through an open trading system the United States can obtain larger quantities of goods for consumption and investment than it could by restricting imports and diverting resources from export industries to import-competing industries.

import restrictions

In addition to reducing the gains from trade, the imposition of import restrictions has an immediate inflationary impact. Consumers pay higher import prices and usually higher prices for domestic substitutes as well. Competition from imports not only helps to keep prices down but fosters efficiency and responsiveness among domestic producers. For example, production of attractively priced American small cars has obviously been hastened by the availability of small, low-priced, fuel-efficient imports.

Import restrictions do not increase employment, even if potential retaliation against exports is ignored. As a result of decreased imports and higher domestic prices, there may be an increase in domestic output and employment in the industry that is granted protection from imports. But the higher prices associated with reduced import competition reduce real consumer incomes and hence tend to reduce real consumption and output. In the absence of changes in overall economic policy, the net effect of these opposing tendencies in the protected industry and in the rest of the economy is usually a reduction of real output and employment. Only in the rare instances when import protection results in very small price increases and very large import reductions will protective measures increase employment.

Responses to import restrictions will make the net employment reduction larger. Unilateral imposition of new tariffs or quotas invites retaliation through higher barriers for our exports. Indeed GATT rules allow tariffs to be raised on imports from a country that imposes unilateral trade restrictions. Induced upward exchange rate adjustment also decreases the demand for exports. Thus, in most cases, import protection has the effect of shifting employment from dynamic export industries to contracting import-competin industries, while reducing aggregate em loyment.

Recent restrictions have primarily take the form of quotas, import licensin requirements and other non-tariff barrie to trade. Quantitative restrictions are mo damaging than equivalent tariffs to a open system of world trade. During rece sions they provide less protection fro imports at a time when business an labour are in a weaker position; durin expansions they do not permit imports t play their role as safety valves, limitin sharp price increases when supplies ar tight.

trade liberalisation

The administration has been workin with foreign governments to reverse th worldwide slip toward more restrictions o imports and restore the trend toward trad liberalisation. These efforts are centere in the round of Multilateral Trade Nego tiations new being held in Geneva. Afte being stalled for some time, the negotia tions made significant progress in 197 with agreement among the major partici pants on key procedures that will guid the negotiations during 1978.

The trade negotiations are being conduc ted under difficult conditions in the worl economy. These same conditions make i essential that agreement on significan liberalisation be reached, however, so tha further steps toward protection can b averted, the dynamism of world trade ca be restored and the potential contributio of trade expansion to overall economi growth can be realised.

Announcement

M/s. Saurabh Pustak Bhandar, Ahmedabad, have been appointed as one of our Subscription Agents.

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Mr J.R.D. Tata is no more merely the father of civil aviation in this country. He has become its father-figure. Once this has happened it is unfair to expect him to continue to associate himself, even to a limited extent, with the mundane details of the management or even the further planning of Air-India. I am therefore not impressed by the sentimental slush n which some of the press reports or comments on his retirement from the chairmanship of Air-India have been wallowing. At 72, Mr Tata had been with Air-India for 45 years and his achievements as the pioneer and also the most distinguished promotor of civil aviation in this part of the world are there for all to see. How, then, could he have been "eased out"? Users of such phrases do not seem to realise that they are assuming that Mr Tata was interested in continuing indefinitely as Air-India's chairman. As for the suggestion that he had been taken unawares by the government's decision to appoint a new chairman in his place, all that needs to be pointed out is that news of a change was very much in the air for quite some time. The government, however, could have shown more dignity and grace in the procedures adopted for effectng the change-over and it must be said that the prime minister's letter to Mr Tata, paying tribute to the latter's stewardship of Air-India makes only delayed recompense.

The appointment of Air Chief Marshal P. C. Lal (Retd) as the common, whole-time chairman of Air-India and Indian Airlines makes a land-mark n the history of civil aviation in our country in the sense that it could be the starting point of the process of coordinatng, if not integrating the two airline systems. This is probably not the time to talk in terms of a common board for Air-India and Indian Airlines, but it may be possible to have a few common directors besides the common chairman. Mr K.G. Appuswamy, managing director of Air-India, has voluntarily sought premature retirement as his personal reaction to the appointment of a full-time chairman. His explanation is wholly credible in the sense that the responsibilities of the managing director's office have been very greatly reduced and down-graded with the appointment of a whole-time chairman; in fact, the managing director's post could and probably would now be abolished. Mr Appuswamy will no doubt find other opportunities suitable for his qualifications, talents and experience as a top airline administrator.

As for the public, its concern must necessarily be with the question whether or how soon the newly appointed common chairman of Air-India and Indian Airlines can upgrade the functioning and services of these airlines. Air-India clearly needs strenuous doctoring. The performance of its ground staff particularly has been deteriorating steadily and this seems to be especially the case with its personnel in its foreign branches, particularly at the airports. For instance, there was the case not very long ago of a number of unfortunate individuals who were booked on an Air-India flight from New York to New Delhi. The flight was cancelled at the last moment and the alternative arrangements made for the passengers to travel to their destination could not have been more casual or sloppy. The way they were treated at the Heathrow airport in London by the Air-India man who was supposed to be guiding them or helping them to catch a connecting flight was reported to be particularly atrocious. Although it was early morning, this man was already drunk and he insisted on treating the anxious inquiries of the stranded passengers with such indifference that some of them had to seek the assistance of the personnel of some of the other airlines, particularly British Airways, in figuring out the problems of their onward journey. Finally one lot of them was put on board a Singapore Airlines plane, which unhappily had a prolonged halt at Athens due to some technical trouble. These passengers reached New Delhi, via Bombay, full 24 hours after the due time. They received some comfort from a very polite letter which they got some days later from Singapore Airlines, apologising for the inconvenience caused to them by the delay at Athens. But, so far as Air-India was concerned, it was as if these passengers had never existed. The Maharaja, I am afraid, has been listening to sycophants for far too long. It is high time that somebody had drawn his imperial attention to his state of undress.

Mr George Fernandes recently warned the managements of large-scale industries that the government would instruct commercial banks to deny credit facilities to them if they are found to be delaying payment of bills for supplies from ancillary units in the small-scale sector. Mohammed Bin Tughlak could have been proud of bright ideas like this one. When a number of firms pleaded insufficiency of funds for the payment of compulsory bonus to employees, the government obligingly asked the commercial banks to lend money to them for this purpose. Now, Mr Fernandes is amusing himself with some contrary logic. He is to explain how the denial of bank credit facilities to large-scale industries would improve matters in respect of the non-payment or delayed payment of the bills of ancillary suppliers. The most notorious defaulters where payments of bills are concerned are government departments and government and semi-government establishments. In this case, suppliers both from large-scale and small-scale sectors are made to suffer alike. Mr Fernandes himself must be aware of the outrageous record of the state electricity boards. May I suggest that he should start cleaning up this business of payment of bills by getting the purchasers in the government and the public sectors to behave better?

VB

MOVING FINGER

TRADE WINDS

Credit for Small-scale Units

A HIGH-powered committee which went into the question of bank credit problems of small-scale industries has recommended that the banks should give up the conventional security-oriented approach and grant loans on the basis of viability of schemes. It has recommended that the routine procecure of obtaining third party guarantees, specially in the case of small loans, should be dispensed with. The committee. which was headed by Mr I.C. Puri, Development Commissioner for Small-Scale Industries, included representatives of the Federation of Associations of Small Industries in India, the ministry of Finance, Reserve Bank of India, State Bank of India, nationalised banks, state departments of industry and state financial corporations.

A Conviction

Its report was submitted to Industries minister, Mr George Fernandes recently. Mr Fernandes stated that the small-scalc sector "was not a convenience, but a conviction" with his government and added that the recommendations of the committee would be implemented. At a recent meeting with bankers, he said, the question of setting apart a specific amount for credit to the small and tiny industries sector was being taken up. While awaiting the banks' decision, he was certain that an amount would be earmarked for the purpose. Another major recommendation of the committee is that concession should be granted for financial assistance to special employment schemes of the government and that a soft loan assistance fund or a national equity fund should be set up.

It has also proposed dissemination of information through mass media regarding the availability of all facilities. The committee has recommended a repayment schedule that keeps in view the sustenance requirements, surplus generating capacity, the breakeven production level of units with provision of holiday periods for power cuts, recession and natural calamities.

Customs Duty on Auto Parts

The government has decided to reduce from 120 per cent to 40 per cent ad valorem the customs duty levied on certain critical automotive components, being imported on ad hoc basis. The concession, available from January 30 to March 31, is to bring down the prices of imported components. The manufacturers will, however, be required to pass on the benefit of the reduction in the customs duty to the customers.

Import Licences for Spares

The government has announced its decision to grant import licences in respect of non-pemissible spare parts on the basis of 0.5 per cent of the purchase price of indigenous machinery having imported components. In terms of a public notice issued by the Chief Controller of Imports and Exports, import licences will be issued with general description of goods, namely, "non-permissible spare parts required for maintenance of machines installed or used in the licence holder's factory, including spare parts of ancillary equipment, control and laboratory equipment and safety appliances".

Actual Users

Actual users (industrial) wishing to avail of this facility are required to submit applications to the concerned licensing authorities by March 12 this year, giving details of indigenous machinery having imported components, duly certified by a chartered or cost accountant. So far, it was provided that licences for import of non-permissible spare parts in respect of imported machinery installed or used in the licence holder's factory, would be granted on the basis of one per cent of the CIF value of such machinery.

Sugarcane Control Order

The union government has amended and Sugarcane (Control) Order, 1966, to provide for interest at 15 per cent per annum on delayed payments of sugarcane prices by sugar factories. The amendment also provides for passing on the interest to the cane growers where payment is made to a cane growers' society after deducting administrative charges, if any, permitted by the rules of the society. Moreover, the new order seeks to provide for depositing unpaid dues with the District Collector who s pay out of this the dues of c growers on the basis of cla made by them. Amou which ultimately remain unp after the lapse of three ye will be used for sugarc development by the state.

New Boards for IA,

The government has nounced the new boards directors for Air-India a Indian Airlines. According t press release, recently Marshal P. C. Lal will be full time common chairm of Air-India and Indian A lines. The boards of the t airlines have been reconstitut for a period of two years fr February 1, 1978. Air-Ind board will comprise, Air Ma shal P. C. Lal (Chairman), K. J. Appuswamy, Managi Director, Air India; Mr C. Jain, Director General, To rism, Dr (Miss.) Kamuad Joint Secretary, Financ ministry of Tourism and Ci Aviation; Mr N. C. Sari Managing Director, India Airlines; Mr N. H. Dastu Deputy Managing Directo Air-India; Mr Narotam Se gal, former secretary, ministr of Tourism and Civil Aviatio Miss Thangam E. Philip, Pri cipal, Institute, Hotel Mana gement, Catering Technolog and Applied Nutrition, Bom bay; and Mr J. M. Chudasama Bombay.

Indian Airlines board wi comprise, Air Marshal P. C Lal (Chairman); Mr C. B. Jain Director General, Tourism Mr N. C. Sarin, Managin Director, Indian Airlines; D (Miss) Kamuadi, Joint Secretary Finance, ministry o Tourism and Civil Aviation Mr K. J. Appuswamy, Manag ing Director, Air-India; M G. D. Mathur, Deputy Manag ing Director, Indian Airlines Mr M.S. Appa Rao, Madras

Miss Thangam. E. Philip, Principal, Institute of Hotel Management, Catering Technology and Applied Nutrition and Mr Hemendra Prasad Barua, Jorhat.

Duty Drawback on Engineering Goods

The longstanding demand of engineering goods exporters for restoring the drawback rates to the original level has been conceded. The government has issued the necessary notification.

This was announced by Brig. B.J. Shahaney, secretary (technical development), ministry of Industry, while presiding over a business session of the Engineering Export Promotion Council recently.

Brig. Shahaney asked the EEPC to make a sectorwise analysis of problems confronting engineering exports so that the government could frame its policies according to the needs of different sectors. He said that a study on the effect of procedural delays, particularly with regard to small-scale manufacturers, would also be helpful.

He pointed out that a more intimate rapport and dialogue were necessary between Hindustan Steel, ministry of Steel and the steel plants so that the required quality and category of steel was made available to exporters in time. He said that the government has accepted, in principle, the concept of self-certification. Survey teams have been constituted which are in the process of studying the various factors and reviewing the existing conditions.

Distribution of Essential Commodities

A new scheme for increased production and distribution of essential commodities at reasonable prices has been finalised by the ministry of Civil Supplies and Co-operation. The scheme, which covers various aspects like production, procurement, storage, transport and distribution, is designed to ensure availability of essential mass consumption items to the common man at reasonable prices. "The basic objective is to create a permanent system in place of short-term palliatives and ad hoc approaches of the past", according to an official release.

One salient feature of the new scheme will be effective distribution of essential commodities already covered and addition of new commodities to the distribution system. The scheme envisages initial coverage of cereals, sugar, kerosene, cloth, vegetable oils and vanaspati, and selected manufactured items of mass consumption.

New Products

In respect of selected manufactured items of mass consumption, such as toilet and washing soaps, salt, matches, tea, exercise books, common drugs and medicines, the concerned administrative ministries of the government in consultation with the state governments have to take up the responsibility of monitoring production, availability and retail prices. The ministries concerned should be responsible for making assessment of overall requirements and, in particular, the needs of the vulnerable segments of population and for taking measures to meet them. Another important feature will be buffer-stocking of items like cereals, pulses, edible oils and oilseeds and cotton and imports of required essential articles. Efforts will also be made to bring about nationality in the areas of storage, transport and distribution costs and removing imbalances in the allocation of commodities between urban and rural areas and their prices.

It is also proposed to make optimum use of the existing infrastuctrural facilities in the public and private sectors. The emphasis will be on expansion of the consumer cooperative network in the urban areas and strengthening of the agricultural and marketing cooperative structure in the rural areas for undertaking effective distribution of consumer arti-

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cles. Whereve necessary, gram panchayats may also be encouraged to take up this responsibility.

Sugarcane Output

The average sugarcane yield registered an increase of 33 per cent during the last 10 years. From 40.3 tonnes per hectare in 1966-67 it has gone up to 53.6 tonnes at present. In about 11,500 demonstrations laid out in the country during 1976-77 under the centrally sponsored scheme on sugarcane development, the yield of sugarcane reflected 70 to 80 per cent increase over the average yields. This was stated by Mr H. S. Sandhu, chairman, Indian Sugarcane Development Council at its eleventh meeting recently. The meeting was attended by the officials of the concerned government departments, members of parliament and representatives of sugarcane growers, gur and khandsari industry, sugar manufacturers, merchants' associations and other organisations.

Panel on Bulk Cargo Distribution

A standing committee will be set up in the ministry of Shipping and Transport for the national distribution of bulk cargo among the major ports of India. It will handle both imports and exports.

This was decided at a meeting of ship-builders, shipowners and chairmen of port trusts held here recently under the chairmanship of minister for Shipping and Transport, Mr Chand Ram. The committee would ensure optimum utilisation of facilities available at the various ports through sustained cargo support. It would monitor loading and unloading of cargoes exceeding one lakh tonnes.

The meeting noted that an inter-departmental group was studying the ways and means by which our exports through containers and other revolutionised methods of cargo handling could be stepped up. Its report was expected to be available in the next two months.

In order to create better understanding and closer association between the Indian liners and their conference principals in deciding service matters, the meeting authorised the Indian National Shippers' Association to pursue the suggestion that the conferences should have their headquarters in India.

Tata Casting Plant

Mr. J.R.D. Tata recently inaugurated the first indigenous continuous casting plant, designed and developed by Tata Iron and Steel Co and manufactured by its maintenance shop, at the Adityapur complex near Jamdshedpur.

Built at a cost of Rs 2.5 crore, the plant fed by steel from electric furnaces discharges 2.5 to 11 metre long alloy steel billets and slabs. Its capacity will be doubled with the addition of a second strand.

Mr Tata thinks that the experience gained in continuous casting should be valuable for future modernisation and expansion plans. In the given situation, captive maintenance-cum-growth shop will have increasing utility as the cost of steel plant expansion and rehabilitation is rising.

ARDC Bonds

The Agricultural Refinance and Development Corporation has announced the issue of the 13th series of 10-year bonds of the face-value of Rs 1.75 crores. The bonds opened for public subsiption on February 15. ARDC reserves the right to retain subscriptions up to 10 per cent in excess of the notified amount.

The issue price of the Rs 100 bonds will be Rs 99. The bonds will bear interest at six per cent per annum—payable half-yearly on August 15 and February 15 each year—and are repayable at par in February 1988. They are guarunteed as to the repayment of principal and payment of interest by the government of India.

The bonds will be 'trustee securities' under the Indian Trusts Act, 1882, and approved securities for the purpose of the Insurance Act, 1938 and the Banking Regulation Act, 1949.

Applications for bonds will be received at the Reserve Bank's offices at Ahmedadad, Kanpur, Madras, Bangalore, Bombay, Calcutta, Hyderabad, Jaipur, Nagpur, New Delhi and Patna in the forms available at the said offices as well as the offices of ARDC located at these centres. The issue is intended to augment its resources for meeting the increasing demand for refinance facilities.

UK Consultants to Visit India

A team of the British consultants will arrive here shortly to discuss the prospects of joint ventures especially in the field of public utility in West Asia. Mr J. Neilson Lapraik, chief executive of the Import Opportunities Office for Developing Countries, UK, disclosed this during a visit to the Second Indian Engineering Trade Fair. Mr Lapraik who was very much impressed by the performance of the Indian industry said that it was high time that Indian engineering
industry should organise
a fair in Europe. He said
cussions were already u
way with Indian governi
to hold such an exhibition.

Commenting on trade p
pects, Mr Lapraik said
components of all types
well as heavy equipment s
as earthmoving equipn
would be very competitive
the developed markets as t
were becoming uneconom
to manufacture in Euro
He also saw a big scope
the exports from the sn
sector. However, he felt t
there was a need to coordin
the know-how available
India and disseminate inforr
tion in an organised mann
During his discussions with
National Association of C
sulting Engineers, Mr Lapra
said that most important reg
for joint ventures would
west Asia, followed by sou
east Asia and other Afric
countries.

Local Boards of State Bank of India

The government have non
nated the members of t
local boards of the Sta
Bank of India at Ahmedaba
Bhopal, Bombay, Calcutt
Hyderabad, Kanpur, Madra
New Delhi and Patna.

Ahmedabad Local Boar
1. Prof. M. P. Bhatt, 2. M
Ramjibhai R. Chaudha
3. Mr Chimanlal Amrit
Desai, 4. Mr Jamiyatram
Mody, 5. Mr Ambubhai
Patel, 6. Professor Samu
Paul.

Bhopal Local Board : 1. M
B. B. Bhargava, 2. Mr P.
Kalani, 3. Mr Vithal Ra
Mhaskey, 4. Dr. A. C. Min
cha, 5. Mr Narendra Prata
Singh, 6. Mr R. P. Noronha.

Bombay Local Board : 1. M
J. R. Gagrat, 2. Mr B. M
Gogte, 3. Mr F. A. A. Jasda

alla, 4. Dr. Dasu Ramaxami, 5. Mr Shrikant G. uparel, 6. Dr (Miss) S. K. erghese.

Calcutta Local Board : 1. Mr . P. Barooah, 2. Mr Durgaadhab Behura, 3. Professor eepada Das, 4. Mr Bimal lishra, 4. Rev Karbenson ingma, 6. Dr. S. N. Sen.

Hyderabad Local Board : Dr. S. Bhagavantam, 2. Mr. . N. Murti, S. Mr A. Hunuantha Rao, 4- Mr A. K. iswanath Reddy, 5. M. Varaarajan.

Kanpur Local Board : 1. Mr mar Singh, 2. Mr Mohd waleh Ansari, 3. Prof M. S. han, 4. Mr Ram Mukut ingh, 5. Mr R. P. Tamta, Mr A. B. Tandon.

Madras Local Board : 1. Mr I. Somashekara Bhat, 2. Mr . Govindaraj, 3. Mr K. M. lammen Mappillai, 4. Mr C. Thomas, 5. Mr I. Zainul Abideen.

New Delhi Local Board : 1. Mr Ram Chandra Beniwal, 2. Dr. B. M. Bhatia, 3. Mr Noor-ud-din Dar, 4. Mr Jagmohan Singh Kochhar, 5. Mr Moti Lal Kadam, 6. Dr. K. S. Gill.

Patna Local Board : 1. Mr Ranglal Choudhary, 2. Dr. D. N. Lal 3. Mr Ramà Nand Prasad, 4. Mr K. S. V. Raman, 5. Mr Rajindra Sharma. 6. Mrs Marry Topno.

New Cement Unit

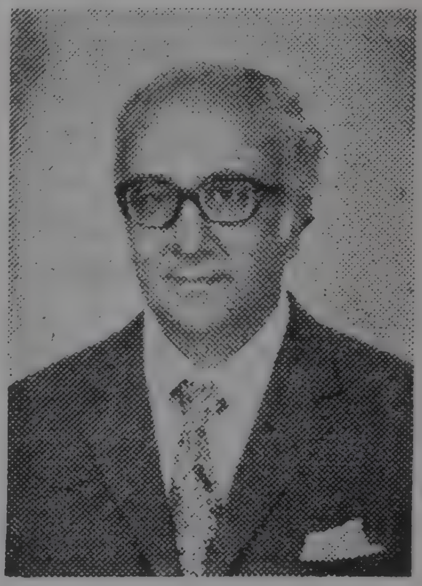
Dalmia Cement (Bharat) plans to establish a new undertaking for the production of magnesium chemicals. The plant, to be located at Tarapur in Maharashtra, will cost Rs 74 lakhs. The financing will be through own resources and borrowings from banks and financial institutions. The product range will include all grades of magnesium chemicals including pharmaceutical grade with an annual production capacity of 2,000 tonnes of magnesium chloride, 1,350 tonnes of heavy-light magnesium carbonate and 300 tonnes of heavy-light magnesium oxide per annum.

Higher Production at BALCO

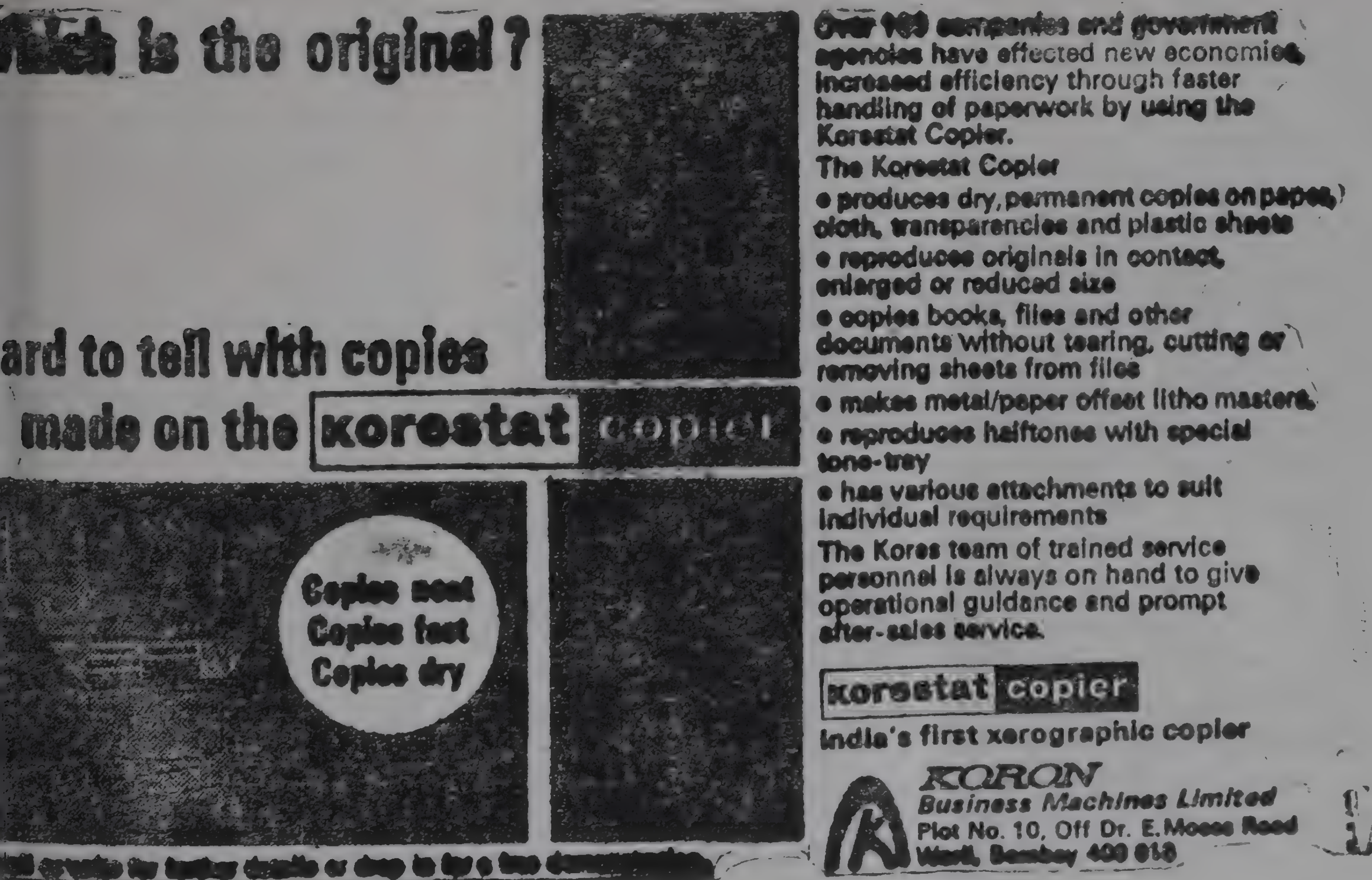
The performance of Bharat Aluminium Company, the only public undertaking in the aluminium industry, was encouraging in 1977. The production registered an increase of 15.8 per cent over the previous years. The total production of aluminium metal was 28,381 tonnes in 1977, compared to 25,494 tonnes in 1976. The expansion of the BALCO smelter at Korba was another important achievement during the year. The second potline of 25,000 tonnes per annum capacity was commissioned at Korba on September 20, 1977. The new potline has swung into production without any problems and its output was stabilised within a very short period. The expansion programme at Korba is proceeding very rapidly and it is expected that the third potline of 25,000 tonnes per annum capacity will start operation as soon as power is available. The construction of the fourth potline and facilities for converting metal into rolled and extruded products is proceeding steadily.

Names in the News

Mr Pratap Khanna, Director, The Britannia Biscuit Co. Ltd. has been elected as the Vice-Chairman of the Processed Food Export Promotion Council, New Delhi. He is also the Vice-Chairman of Delhi Factory Owners' Federation.


Mr Pratap Khanna

Mr Suresh Mehta has taken over as chairman of the Engineering Export Promotion Council for 1978-79. Mr Mehta is also chairman of the Textile Machinery Manufacturers' Association.



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COMPANY AFFAIRS

Zenith Steel Pipes

THE HALF-YEARLY operations of Zenith Steel Pipes and Industries have shown encouraging results. Its turnover for the May-October 1977 period is marginally higher at Rs 13.41 crores compared to Rs 13.26 crores for the corresponding period of the previous year, the gross profit for the period has been higher at Rs 97 lakhs against Rs 95 lakhs for the first half of 1976-77.

The company's total turnover for the whole of 1976-77 has amouted to Rs 28.88 crores, yielding a gross profit of Rs 1.84 crores. With the estimated depreciation for the period claiming Rs 11.50 lakhs (Rs 11 lakhs) and estimated taxation Rs 33.50 lakhs (Rs 41 lakhs) the net profit amounts to Rs 52 lakhs against Rs 43 lakhs. The net profit for 1976-77 had amounted to Rs 84.88 lakhs after providing Rs 20.58 lakhs for depreciation and Rs 79 lakhs for taxation. The company has meanwhile, received a letter of intent for the manufacture of 16,500 tonnes of rolled flat, square and round sections a year. It has already placed an order for the equipment for the rolling mill. The manufacture of steel pipes of up to 200 mm diameter, which was expected to start during the middle of 1978 is expected to commence soon.

Gammon India

Prompted by a strikingly favourable business experience during the year ended July 1977, the directors of Gammon India have proposed to step up the year's equity dividend from 12 per cent to 16 per cent. The company's turnover has disclosed a sharp expansion of about 54.2 per cent, from Rs 15.75 crores in 1975-76 to Rs 24.28 crores and the gross profit has jumped from Rs 1.35 crores to Rs 2.31 crores. The expansion and diversification activities undertaken during the last two years have enabled the company to achieve a fair business mix. Although the sulphuric acid and superphosphate plant could not operate at an economic level during the year, the production has improved this year and the trend is likely to be upward in view of the current buoyant conditions in the superphosphate market. It has secured contracts for two tunnels and two dams totaling Rs 27 crores.

Export Front

The current year's performance on the export front is expected to show an improvement. The associates and subsidiaries of the company are in good shape. Airscrew (India) in which Gammon has a 33.8 per cent interest is doing well. The company' foreign operations have expanded considerably in the past few months, the major contracts on hand being a power house in Libya, four bridges in Nepal and a desalination plant in Dubai. The aggregate value of these contracts is about Rs 30 crores.

After providing Rs 85.34 lakhs (Rs 56.34 lakhs) for taxation and Rs 38 lakhs (Rs 8.12 lakhs) for investment allowance, the company's net profit amounts to Rs 46.97 lakhs against Rs 30.52 lakhs. The proposed dividend will claim Rs 24.73 lakhs against Rs 18.55 lakhs.

Tata Finlay

Tata Finlay has declared an interim dividend of 15 per cent for 1977. This dividend is payable on the enlarged capital of Rs 6 crores resulting for the public issue made in June, 1977 and will be paid to the shareholders on the company's register on March 2. For 1976, the company had paid the interim dividend of 15 per cent on the capital of Rs 3.28 crores and the final dividend of 10 per cent on the capital of Rs 6 crores.

Expansion of MRTP Units

Twenty-one MRTP companies with the aggregate outlay of nearly Rs 107 crores were granted approval by the centre during the first half of 1977, for setting up new plants to effect substantial expansion in their existing production.

Thirteen of the 21 proposals were for establishing new ventures and the remaining eight for expansion. Of the nearly Rs 107 crores, about Rs 87 crores will be utilised for setting up new undertakings, the balance of Rs 20 crores being the cost of expansion.

Before issuing orders for expansion of MRTP companies, the government imposes certain conditions on them, such as maintaining equity-debt ratio, loans from financial institutions and subjecting it to the insertion of usual convertibility clause, export targets, wherever fixed by the government to be fulfilled, import of capital goods or foreign collaboration wher
envisaged to be settled t
satisfaction of the governr
etc. At first, the proposals
expansion are approved
principle taking into acc
economic and other rel
aspects of the project in
context of national econo
needs, priorities and pu
interests.

An analysis of the sancti
given by the Department
Company Affairs during
first half of 1977 reveals
nearly half of the total cos
Rs 107 crores for these new
tures and expansion plans
21 companies will come fr
public financial institutions
banks. In some cases, the co
panies, however, notified th
intention to raise equity cap
from open market.

The new undertakings
be located in states such
Assam, Andhra Prade
Kerala, Karnataka, Ma
rashtra, Rajasthan and W
Bengal.

At the end of 1976, th
were 1,104 undertakings reg
tered under the MRTP Act.

Foreign Collaboration

At least four of the 21 co
panies granted approvals
have foreign collaborati
(technical and/or financi
covering inter alia sophisticat
electronic and computer tec
nology. Another compan
proposal envisages setting
of its new undertaking in
joint sector.

The study reveals that nea
50 per cent of the total financ
outlay involved in these
proposals was accounted
by the two industrial houses
Tatas (3) and Bangur (1).

The largest single scheme
expansion is by Tata-Finl
Limited, which will acqui
seven sterling tea compani
operating in India at a cost

11.50 crores, out of the total lay of Rs 20 crores granted expansion to eight com- nies.

Similarly, the Bangur groups' oposals for the manufacture rayon grade wood pulp and scose rayon stable fibre in a w undertaking was the single rgest venture involving Rs 31 ores out of Rs 87 crores ap- oved for all the 12 companies ing in for establishing a new ndertaking unit.

Ten of the 21 companies re- eiving approvals belonged to e industrial houses of Tatas, irlas, JK, Singhania, Bangur hri Ram, Khatau (Bombay) nd Kasturbhai Lalbhai and hapar.

The department's approvals lso include sanction to two of he 21 companies to acquire hips at a total cost of Rs 10 rores.

New Products

The new undertakings when hey go on stream will produce tems like grey iron and modu- ar iron castings, ossein and dicalcium phosphate, caustic soda and chlorine, special type sophisticated tools, portable electric tools, industrial explosives, rayon staple fibre and processed marine products.

The products involved in the expansion plans of companies were railway signal equipment, hand tools, small tools, salt and gypsum, air pollution control equipment, etc.

In some cases, approvals were granted on the commitment by the companies for export of their products as fixed by the government and also fulfilling other conditions stipulated by the government uch as maintaining equity-debt ratio.

During the same period, the department also issued revisionary orders approving the modified financial schemes of proposals approved earlier. Some 12 proposals mooted by companies for setting up of new undertakings or effecting substantial expansion involving a total project cost of a little above Rs 66 crores were rejected by the department as they were not considered to be expedient in the public interest. Three of the 12 rejected proposals to the tune of financial outlay of Rs 19.05 crores were of the Birla group.

MRTP companies are those companies, which having attained on their own or along with other inter-connected undertakings, the scale of Rs 20 crores assets or more, or producing one-third of the total goods and services of particular nature in the country (the latter is otherwise called as "dominant undertaking") register themselves under Section 20 of the MRTP Act, 1969. Before they could set up new undertakings/units or effect substantial expansion they are statutorily required under Sections 21 and 22 of the same act to seek prior approval of the centre.

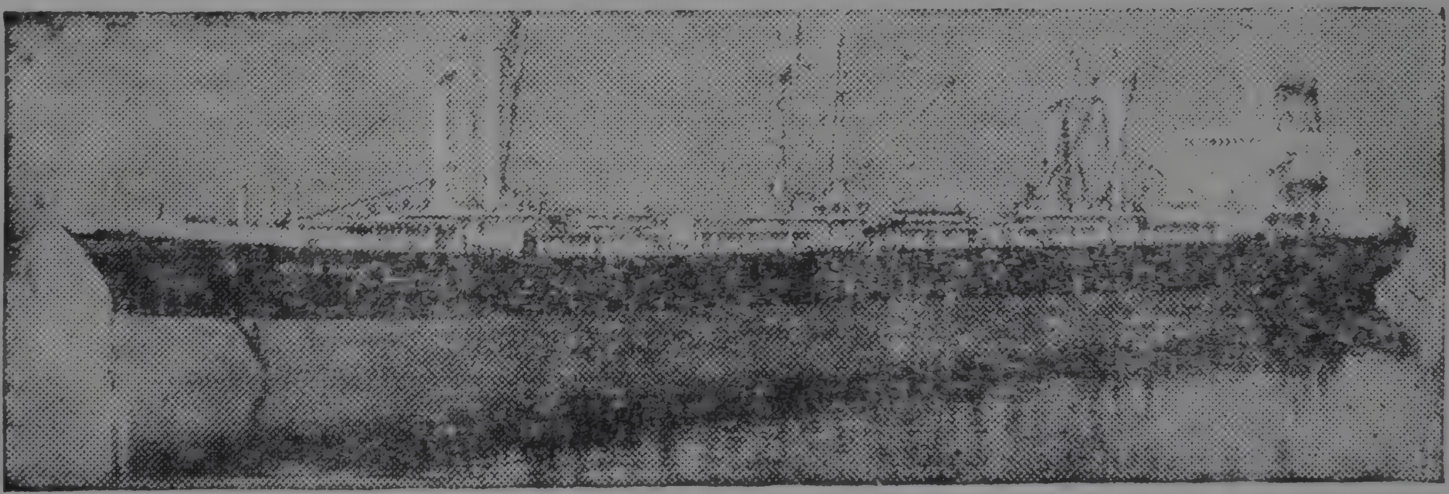
Tufted Carpets

A new project in tufted carpets, the public issue for which is expected shortly, is in an advanced stage of implementation by Tufted Carpets and Woollen Industries Ltd. (TCWI). Besmer, the German carpet manufacturing firm, will be its technical collaborators. As a result, TCWI will be able to create over one million square metres of 100 per cent wool tufted and oriental design carpets annually.

The plant will be equipped with machinery from James Mackie and Sons, Cobble and Blackburn (Singer) Petrie McNaught and Crabtree of England. Besmer will also participate in the equity of the company and also buy up to 80 per cent or so of TCWI production. This is likely to benefit the country by over $ 4,000,000 a year.

Coates of India

The board of Coates of India has announced a proposal to issue bonus shares on a one-for-five basis and to pay a dividend of 16 per cent for the year ended October 31, 1977, as against 15 per cent paid last year. The dividend will be payable proportionate to the amount paid up as on October 31 last and the bonus shares will rank for dividend pro rata from the date on which these are issued. The company has fared well, with the turnover rising from Rs 5.86 crores to Rs 6.91 crores and gross profit up from Rs 57.62 lakhs to Rs 72.12 lakhs. After providing Rs 6.62 lakhs (Rs 6.03 lakh) for depreciation and Rs 41.50 lakhs (Rs 33.39 lakh) for taxation, net profit is Rs 23.99 lakhs compared to the previous year's Rs 18.21 lakhs. The share transfer books of the company will be closed from April 17 to 21, both days



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inclusive, for purposes of the annual general meeting scheduled to take place on April 21.

Polyolefins

The joint venture of Polyolefins Industries Ltd (PIL) in Malaysia for he manufacture of highly specialised pipes out of high density polyethylene (HDPE) has commenced production. It was formally inaugurated on February 13.

The project is designed to obtain an annual capacity of 1,000 tonnes of HDPE pipes, involving a total capital cost of Malaysian $ 1.7 million, equivalent to Rs 60 lakhs.

The project is a joint venture between PIL, Hoechst Malaysia and Jeewaraga and Omar Youssoff, two well-known industrial groups in Malaysia. It is operated by a new company, Polyolefins Pipes SDN BHD, to whose share capital of Malaysia $ 700,000 PIL has contributed 24 per cent. Under Malaysian classifications with, majority local holding, the new company enjoys the status as a "Bhumiputra" company.

Through setting up of this joint venture, PIL is to earn for the country Rs 24 lakhs by way of export of equipment, nearly Rs 9 lakhs by way of technical know-how and Rs 2.7 lakhs by way of engineering fees. The company has also earned in the course of the setting up of this project so far foreign exchange worth Rs 3.7 million by way of export of HDPE pipes.

Modi Carpets

Modi Carpets which made a public issue of 940,000 equity shares of Rs 10 each at par in November 1977, expects to start trial production by April and commercial production by the end of June 1978. The company is setting up a project in Rae Bareli district in Uttar Pradesh for manufacturing tufted carpets and carpet yarn, in technical and financial collaboration with Arova Schaffhausen AG, Switzerland. The collaborators have guaranteed to lift 50 per cent of the entire production in the first two years and 75 per cent in the next eight years. According to Mr Satish Kumar Modi, managing director, at present the export market for tufted carpets is extremely good. New markets are also emerging in south east Asia and west Asia. The company will also be supplying a part of its yarn to hand knotted carpet manufacturers making tufted carpets from polypropylene. These will be useful for cities like Bombay. The turnover in the current year ending December 1978 is estimated at around Rs 4 crores. On full production the turnover will be around Rs 15 crores.

Asian Cables

Asian Cables Corporation has declared a final dividend of six per cent which will raise the total equity dividend for 1977 to 12 per cent from 10 per cent for the previous year. The preliminary statement from the company disclosed a rise of 14 per cent in sales from Rs 7.44 crores in 1976 to Rs 8.46 crores in spite of the general slackness in the cable market during the year. The progress on the export front has been even more striking. The value of the shipments having increased from Rs 1.63 crores in 1976 to Rs 3.73 crores. The gross profit for the year has, however, dropped from Rs 81 lakhs to Rs 76.95 lakhs. Major appropriations are: depreciation Rs 13.76 lakhs (Rs 13.78 lakhs), taxation Rs 38.10 lakhs (Rs 39.60 lakhs) and investment allowance Rs 17,500 (nil). The total dividend for the year will absorb Rs 24.22 lakhs, leaving a sum of Rs 69,000 (Rs 7.44 lakhs) for the general reserve.

Haryana Polysteels

Haryana Polysteels has achieved a turnover of Rs 149.55 lakhs for the year ended March, 1977 against Rs 38.94 lakhs in the previous year. Despite the higher production of 9,429 tonnes against 4,559 tonnes, the operations of the company have resulted in a loss of Rs 80.93 lakhs against a loss of Rs 38.24 lakhs in the previous year. The allocations include : depreciation Rs 12.24 lakhs (Rs 10.43 lakhs), investment allowance reserve Rs 62,100 (nil). The continuous casting machine was commissioned at the end of September, 1977 and the 15/17-tonne second electric arc furnace in December 1977. With these facilities coming into operation, the directors state that the company has generated a cash surplus for the first time in December last. It has been granted an industrial licence for the manufacture of 40,000 tonnes of high carbon wire rods per annum.

Oil India Dividend

After a break of five years, the Oil India has paid a dividend of Rs 4.49 crores to the government. For five years no balance sheets were drawn because of some disagreement between the government and the foreign partner. The decision to close the 1971-76 accounts is taken here to mean that the takeover of Oil India is just round the corner.

Announcing the dividend, a statement issued by the Oil India says that the closing of accounts marks a turning point in OIL operations and signifies the growing understanding between shareholders—the go ment and the foreign com —which is expected to lea a final agreement soon, facilitating Oil India's in tion into the public sector.

The OIL has claimed th has produced 42 million to of crude from its 1990 sq kilometer mining lease and this output represents 75 cent of crude secured from fields of Assam and no east India. By produc this crude since its incept the company claims to h saved Rs 4000 crores in for exchange. The company also claimed that on an inv ment of just Rs 14 crores has paid to the governmen total dividend of Rs 30 cror

ICICI

The Industrial Credit a Investment Corporation India (ICICI) has made a profit of Rs 451.44 la (Rs 345 lakhs) in the ye ended December 31 la Its directors recommended dividend (subject deduction tax) of 12 per cent.

Western Coalfields

The Western Coalfields L a subsidiary of the Coal Inc Ltd is poised to achieve its ta geted production of 21 milli tonnes during the current fina cial year. By producing little over 20 lakh tonnes du ing January, 1978 against 18. lakh tonnes in the correspon ing month last year, the WC had been able to increase pr duction to the level of 17 million tonnes during the peri January 1977 to January, 19 against 16.4 MT during t corresponding period last yea The coal pumped into t national economy during th period by the WCL collieri was 16 lakh tonnes more tha the corresponding period du ing the previous year.

Agricultural development and cooperative credit in Tamil Nadu

RECORDS AND STATISTICS

There has been a five-fold increase in the total credit disbursed by cooperative credit agencies in Tamil Nadu and the loans disbursed to small and marginal farmers accounted for 47 per cent of the total. A review of the Reserve Bank of India however indicates that a majority of primary agricultural societies in the state are still non-viable.

VHILE THE cooperative credit gencies in Tamil Nadu registe- ed appreciable progress in pro- iding credit for agricultural evelopment during the decade nd a half (1961-75), a majo- ity of primary agricultural redit societies in the state re still non-viable; if these ocieties are really to serve as ffective channels of credit, ne state government as well s the cooperative leadership nay have to make concerted fforts to revitalise the societies nd to tone up their opera- onal efficiency through a imebound programme. This the broad conclusion drawn the review of agricultural evelopment and cooperative redit in Tamil Nadu, publish- d by the Reserve Bank as a art of the supply-side investi- ation of the All India Debt and Investment Survey 971-72.

ncrease in Credit

There was a five-fold in- ease in the total credit (short, edium and long-term) dis- ursed by cooperative credit gencies per 100 hectares of opped area in Tamil Nadu etween 1960-61 and 1974-75, om Rs 3,604 to Rs 16,170, e corresponding rise in all- dia average being from Rs 378 to Rs 6,265. The loans sbursed to small and mar- nal farmers accounted for arly 47 per cent of the total short and medium-term loans by primary-level societies in 1974-75 and 44 per cent of long-term loans by primary land development banks, the highest percentage next only to Kerala in the country.

Owned Funds

The total owned funds of primary agricultural credit societies increased from Rs 6.4 crores in 1960-61 to Rs 36.9 crores in 1974-75. The average owned funds per society in 1974-75 worked out to Rs 72,000, as against the all-India average of Rs 26,000 only. Their deposits rose from Rs 1.09 crore in 1960-61 to Rs 7.43 crores in 1974-75, the average per society as at the end of June 1975 being Rs 15,000, compared to Rs 7,000 for the country as a whole. The total loans and advances of primary societies increased from Rs 24.36 crores in 1960-61 to Rs 87.68 crores in 1974-75, the average loan per society working out to Rs 1.72 lakh, in comparsion to the all-India average of Rs 59,000. Their position of overdues at 29.8 per cent as on June 30, 1975 was somewhat unsatisfactory; this was to some extent attributed to the unprecedented drought conditions prevalent in 1974-75. The review observes:

The primary-level societies should broadbase their functions, increase their areas of operation and lendable resources so as to provide a package of services to farmers, besides credit, in the coming years on the analogy of farmers' service societies. This, in other words, implies initiation of a time-bound programme for reorganisation of societies on the basis of accepted viability norms. In the areas where credit gaps are large which cannot be fully met by the cooperative credit agencies, the state government may consider involvement of commercial banks for financing agriculture through the medium of societies.

Commendable Progress

The district central cooperative banks also registered commendable progress as is evident from the increase in their owned funds from Rs 5.17 crores in 1960-61 to Rs 29.95 crores by 1974-75. The average owned funds per bank in 1974-75 worked out to Rs 187.18 lakhs, compared to the all-India average of Rs 92.37 lakhs. Their deposits went up from Rs 10.12 crores to Rs 67.28 crores, the average deposits per bank as of 1974-75 being Rs 4.21 crores, against Rs 2.36 crores at all-India level. The total loans disbursed by these banks increased from Rs 44.88 crores in 1960-61 to Rs 181.43 crores by 1974-75, the average loan outstanding per bank being Rs 8.49 crores against Rs 3.96 crores at all-India level. Despite unfavourable agricultural conditions in 1974-75, the banks had kept their overdues under check which formed only 6.9 per cent of their outstanding loans as on June 30, 1975.

Long-term Loans

The long-term loans issued by the State Land Development Bank increased substantially from Rs 1.98 crore in 1960-61 to Rs 25.72 crores in 1974-75, the average long-term loan issued per borrowing member in 1974-75 being Rs 6,209, as against the all-India average of Rs 2,935. But the overdues of primary land development banks increased sharply, constituting 41 per cent of total demand as on June 30, 1975, warranting urgent measures on the part of the banks and the government to bring down the overdues substantially. Further, as the loans disbursed for conventional purposes like minor irrigation and land improvement had reached a saturation point, it is suggested that the banks may diversify their lendings in some new directions like dairy and poultry development, conservation of soil projects, etc.

Discussing the role of cooperative marketing societies in the state, the review points out that, despite the establishment of a number of regulated markets at block/taluka levels by the state government, these societies have not taken advantage thereof in marketing the agricultural produce of agriculturists in an effective manner, and they have also not shown adequate interest in the link ing of credit with marketing;

the loans recovered by them constituted hardly seven per cent as of 1974-75. Most of the societies organised for handloom weaving, which is one of the important cottage industries in the state, are nonviable and are incurring losses. It is emphasised that the cooperative department should revitalise these societies and provide technical and financial assistance to them in order that their business may become a commercial proposition.

Considering that Tamil Nadu has a large tribal population in some districts and that the state government has already set up a separate Tribal Development Agency, the review stresses the need for setting up a new type of cooperative known as Large-sized Adivasi Multipurpose Society (LAMPS) to sufficiently take care of the production and consumption needs of tribals and marketing of their agricultural and forest produce.

Commercial banks' lending against gold ornaments

A Reserve Bank study indicates that loans advanced by commercial banks against gold are predominantly of small size borrowed avowedly for productive purposes and have a south Indian, semi-urban bias.

OUT OF the 20,435 commercial bank offices with aggregate advances of Rs 10,078 crores under 75.47 lakhs accounts as at the end of December 1975, 7,208 branches of 54 banks reported gold loans amounting to Rs 247 crores under 28.45 lakhs accounts, representing 2.5 per cent of total advances (the amount of gold loans outstanding as of June 1971 was Rs 70 crores, representing 1.5 per cent of total credit), according to a study prepared in the Banking division of the Economic department and published in the October 1977 issue of the Reserve Bank of India Bulletin. In other words, more than a third of total commercial bank offices were involved in handling gold loans and more than a third of their total borrowal accounts were those against gold ornaments. The significance of gold loans, therefore, lies not so much in their overall quantum as in their spread revealed both by the number of bank offices providing this facility and by the number of individuals utilising it.

The amount of gold loans provided by commercial banks, incidentally, is considerably more than that given by cooperative credit societies which had an outstanding of Rs 55 crores by way of advances against gold and silver as of June 1976, forming 2.8 per cent of their total lendings.

The principal features of gold loans given by commercial banks are that the loans are (i) predominantly south Indian with a semi-urban bias, (ii) essentially small in size and (iii) borrowed mainly for avowed productive purposes. Tamil Nadu had the highest proportion in respect of amount of loans and Kerala in loan accounts. In the southern region, the significance of these loans was low only in Karnataka. Outside the region, it was only in Maharashtra that there was evidence of the establishment of thisl lending practice. But the practice is not entirely unknown in other areas. Of the 385 districts, it was only in 52 that no gold loans were reported. In terms of amount, semi-urban centres had the highest proportion of gold loans, although in respect of number of accounts the rural areas had the largest share. The practice was not entirely absent in urban and metropolitan centres which together had 12 per cent of gold loan accounts and 16 per cent of amount. The significance of gold loans was most pronounced in rural areas where they formed over 14 per cent of total credit.

The table given below shows the number of offices reporting advances against gold ornaments and number of accounts and amount of commercial banks (December, 1975):

The involvement of commercial banks in gold loans was very much pronounced in the case of all banks (in both public and private sectors) based in the southern region, while lending against gold ornaments outside of this region was done principally by the State Bank of India. The significance of gold loan
the total credit, indicati
dependence on this form
business, was very pronoun
in the case of a few sr
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banks based in Tamil N
and Kerala. The national
banks were more rural ori
ed in their lending against g
ornaments than any other b
group. They also tended
give more small loans an
predominant proportion
their loans was agricultural

The size of an average g
loan was around Rs 850.
loans were larger in urban
metropolitan centres than
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Less than a third of total g
loans was given for consu
tion purpose, 58 per cent w
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purposes. Gold loans for p
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and semi-urban areas.

State	No of offices reporting gold loans	% of all-India total	Total gold loan accounts (000s)	% to all-India total	Total gold loan amount (Rs crores)	% to all-India
Tamil Nadu	1,399	19.5	816	28.7	88.95	3
Kerala	1,175	16.4	11,62	40.8	58.25	2
Andhra Pradesh	970	13.5	382	13.4	54.89	2
Karnataka	1,299	18.1	341	12.0	23.04	
Pondicherry	20	0.2	16	0.6	1.81	
Maharashtra	794	11.1	59	2.1	8.70	
Goa, Daman & Diu	50	0.7	7	0.3	0.65	
Total	5,707	79.2	27,83	97.8	236.29	9
Other states	1,501	20.8	64	2.2	10.90	
Total All-India	7,208	100.0	28,46	100.0	247.19	10

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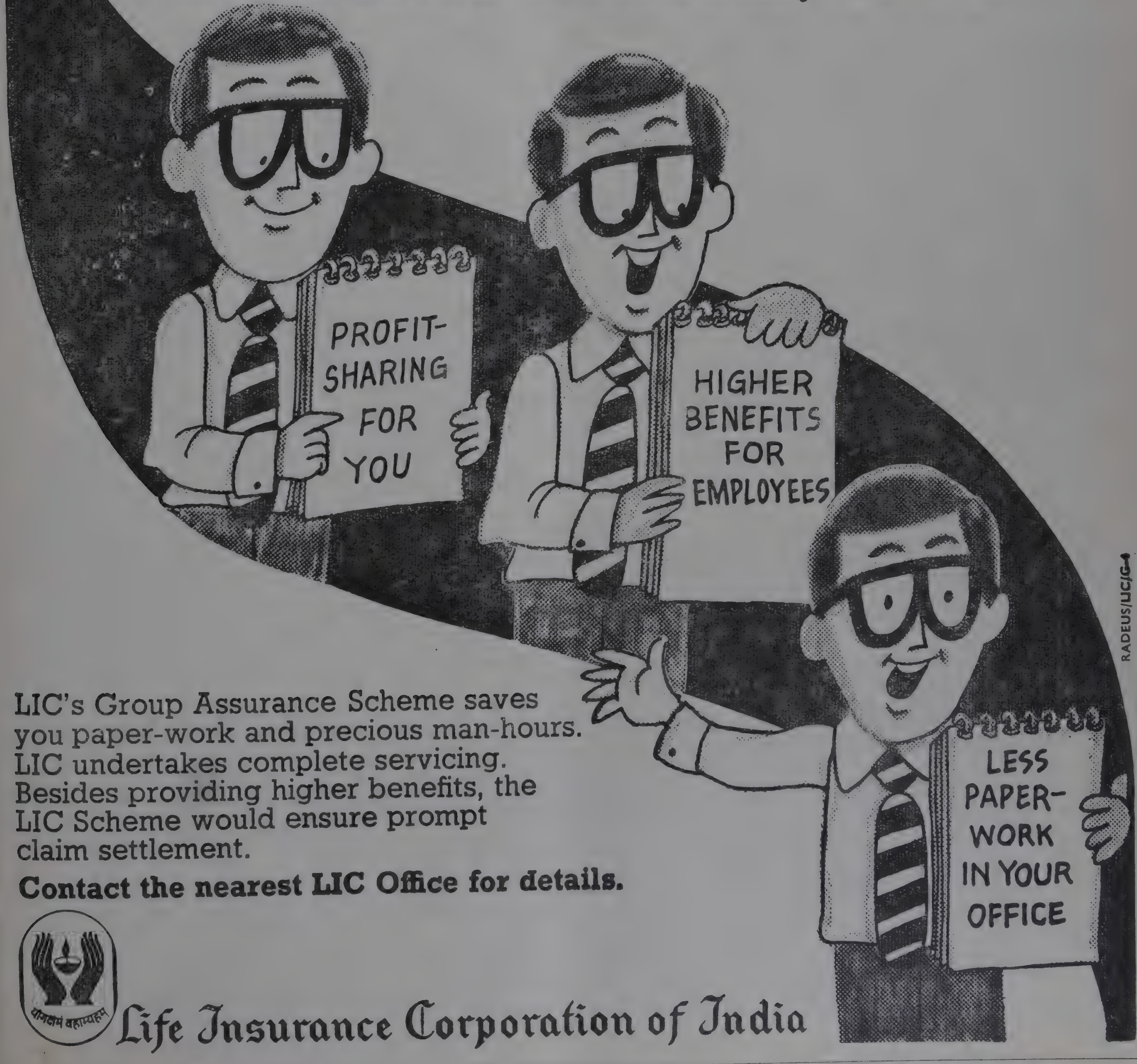
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New Delhi, at the New India Press, K Block, Connaught Circus, New Delhi.

Licensed to post without prepayment U-54
Regd. No. D (C) 257
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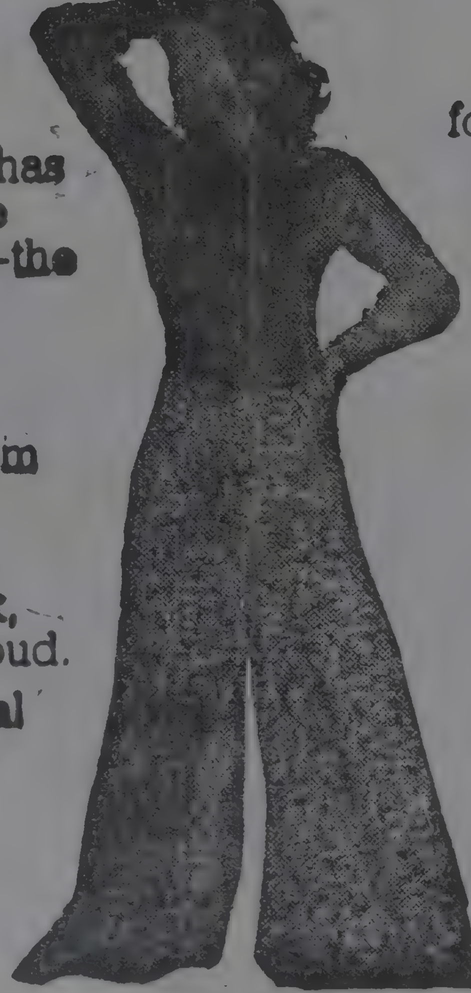

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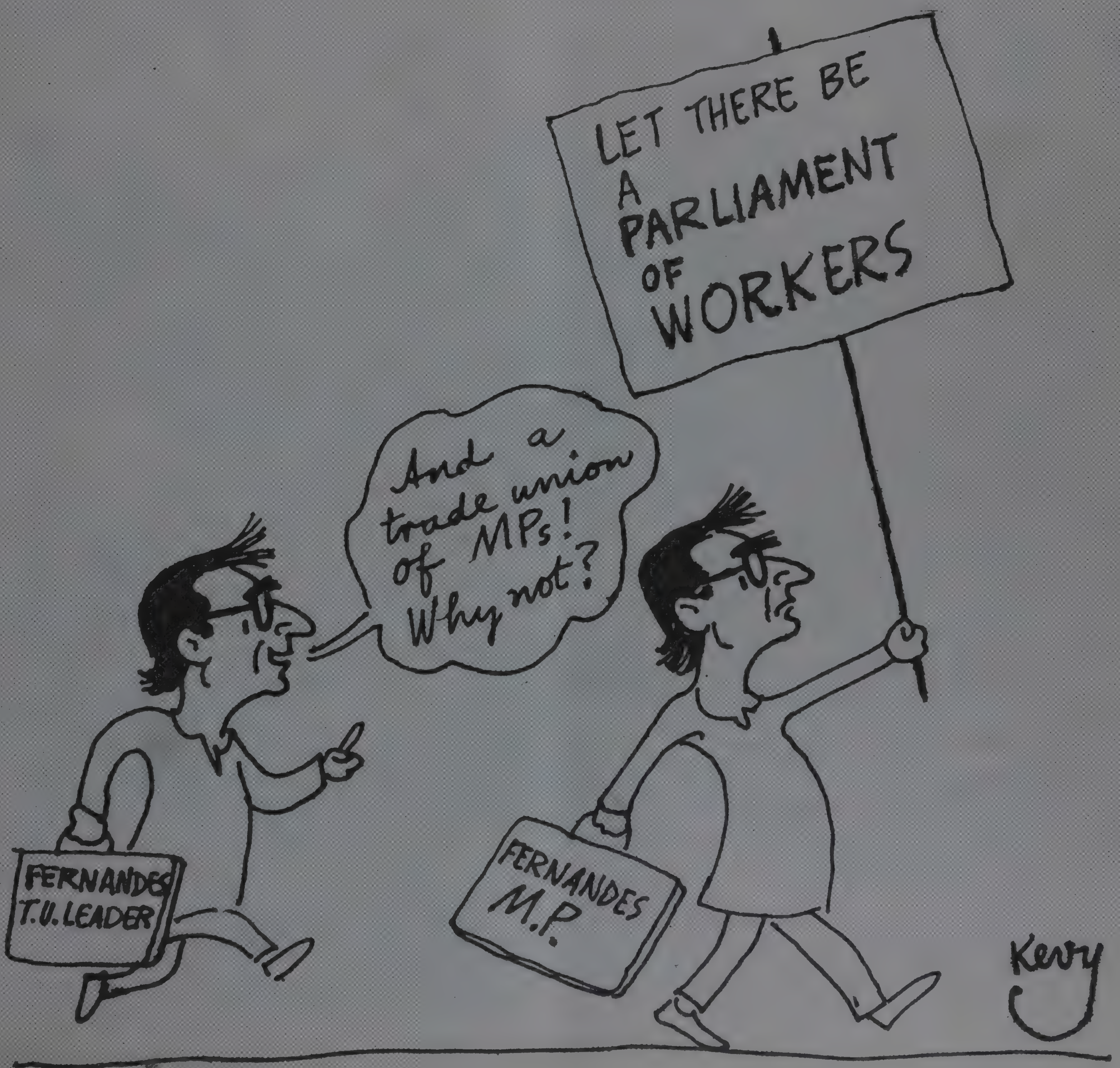
Vol. 70 **FEBRUARY 24, 1978** **No. 8**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FERNANDES M.P.
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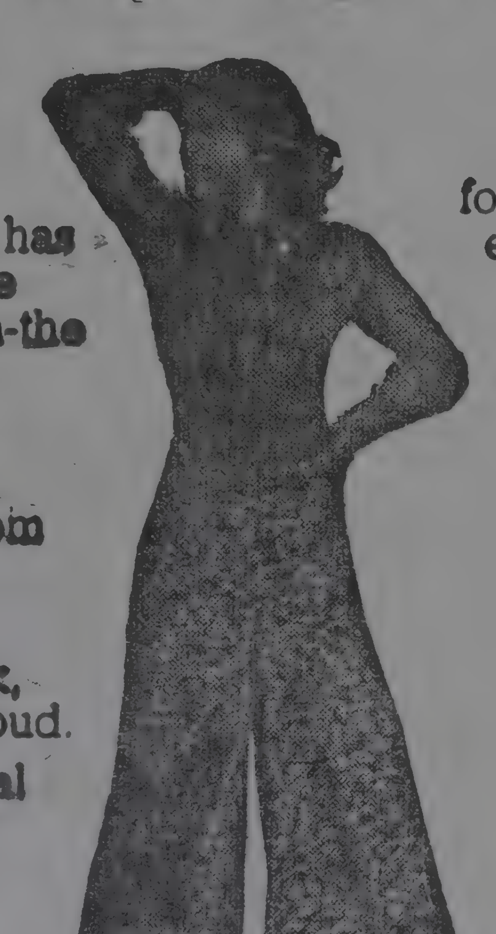

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VOL. 70 NO. 8 FEB. 24, 1978
Price Rs 2.50

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Janata express

EVEN THE Janata government cannot quarrel with its legacy of railway finances for the actuals for 1976-77 have amounted to a net surplus of Rs 87.24 crores and an operating ratio of 84.4 per cent. But it can still claim credit. Despite certain stresses and shortfalls, the Railway ministry has largely succeeded in maintaining this gain in the current year. The revised estimates show a net surplus of Rs 89.32 crores and an operating ratio of 84 per cent. The performance would have been even better had the originating revenue-earning traffic not fallen short of budget anticipation. An increase in the average lead of traffic has however helped undo the mischief. While originating revenue-earning traffic is expected to be only about 214 million tonnes, as compared to the budget estimate of 220 million tonnes, the revenue-earning net tonne kilometrage of freight traffic is expected to be 151,940 millions as against the budgeted figure of 148,280 millions.

In other words, while the railways moved less tonnage than they expected to, they carried it for longer distances than was anticipated. Passenger traffic has continued to look up, thanks to the large and growing population and travel being among the average Indian's life's little luxuries. When it is borne in mind that the cyclone disasters in the south had brutally interfered with traffic in the closing months of 1977, revenues have stood up surprisingly well. The fortunes of railway earnings in the new budget year, however, would obviously depend on changes in the level of business activity. Here the last few months have not been particularly promising.

A pleasant feature of the budget statistics is that the revised estimates of working expenses for 1977-78 reveal a net saving of Rs 37 crores as compared to the budget figure. Mr Dandavate ascribes this to better efficiency and tighter expenditure control. The surplus for current financial year is now expected to be Rs 89.32 crores, that is, about Rs 57 crores higher than the budgeted figure of Rs 32.5 crores. While there was no increase in fares or freight rates in the current financial year, increased expenditure had to be incurred on additional dearness allowance for seven months of this year. Nevertheless the revised surplus for 1977-78 is marginally higher than the actuals for 1976-77 and substantially higher than the amount budgeted for 1977-78.

For the second year in succession, the present Railway minister has therefore refrained from proposing any increase in fares or freight rates. He expects gross traffic rates to improve in 1978-79 by Rs 88 crores more than the revised estimates for the current financial year. His anticipation is that revenue-earning goods traffic would be up by eight million tonnes over the revised estimate of 240 million tonnes for the current year, while passenger traffic is expected to increase by five per cent. Working expenses, however, are expected to go up by about Rs 90 crores more than the revised estimates for the current year. Much of this would be on account of an additional instalment of dearness allowance to employees and other payments or improvements in service conditions intended to meet the demands or needs of various categories of staff. There are also increased appropriations for the various funds and as a result the surplus for 1978-79 is estimated at Rs 65.43 crores. This relatively comfortable state of railway finances has not encouraged the minister to be smug about the importance of the railways functioning as a truly viable unit, generating the surpluses needed for financing their extension or modernisation. He has taken note of the fact that the indebtedness of the railways to the general revenue would be Rs 345.37 crores at the end of March 1979 and he proposes to ask a committee to make an in-depth study of the capital structure of the railways and thus help the ministry to come to grips with the problem of resources.

More immediately, his ministry has to handle the annual plan for 1978-79, which provides for an expenditure of Rs 535.30 crores as compared with the previous year's revised outlay of Rs 488.55 crores. The major item of expenditure would be Rs 236 crores on rolling stock. On the works programmes, the ministry has taken sensible decisions. Mr Dandavate's effort to concentrate on a specific number of schemes with a view to completing them instead of spreading the outlay thinly on a large number of projects is quite creditable. The need for generating more financial resources as well as stepping up construction efficiency and standards of physical performance, however, should be constantly kept in mind. Otherwise, the selective approach, virtuous though in itself, could deteriorate into a viciously restrictive approach. For good or ill, the railways will have to continue to take care of the main flow of goods and people in our country. The expansion of railway facilities should therefore necessarily be one step ahead of emerging requirements. At the same time, the importance of effective road-rail coordination is growing day by day, especially in view of the pressures, partly political, which are acting on the government for the laying of new railway lines in backward areas. Mr Dandavate has spoken of the government trying to evolve a long-term policy in this regard. This policy will have to be a road-rail policy, no less.

passenger amenities

The minister has not only not proposed any increase in fares and freight rates for 1978-79, but he has also presented a fragrant package of facilities and amenities for the janata traveller. His intentions or assurances are worth referring to in some detail. While a beginning has already been made for providing second class accommodation with upholstered seats and berths, in the next financial year, in addition to second class sleeper coaches with cushioned berths, all second class general coaches on fast, inter-city services will be provided with cushion seats. As per the railways' perspective, all long-distance mail/express trains in the country will be having, in the next two to three years, second class 3-tier coaches, with padded cushions and improved amenities. These steps, it is hoped, will greatly wean away most of the passengers from the first class to the second class, thereby achieving the Railway ministry's ultimate objective of having predominantly one type of accommodation for long-distance trains. Meanwhile, Mr Dandavate has scattered a few marginal concessions in fares among long-distance second class travellers as well as among passengers bound for hill stations.

The minister is not afraid of facing the truth that, where comfort and dignity of travel on the Indian railways is concerned, the biggest problem is posed by overcrowding. Increasing the amenities and facilities for travel cannot mitigate this difficulty; on the contrary it will only aggravate it. The phasing out of first class accommodation which the railways are committed to cannot provide any substantial relief. The imperative would still be an increase or improvement in track capacity *plus* coordinated road transport development. Rolling plan or no rolling plan, this is a problem which cannot be swept under the carpet. In other words, while it is extremely gratifying to find that the Railway minister is not a politician who wears his social conscience on his sleeves, the point must be made that a soft heart and sympathy are not enough. The upgrading of railway travel in this country to civilized standards in the context of our large population and vast distances poses not only a colossal human problem but also an immense engineering and management challenge.

Referring to the restructuring of th Railway Board which has taken plac the minister rightly says that the nex important step should be the effectiv implementation of the process of delegation of powers to divisional organizations. Mr Dandavate is consistentl cognizant of the human element in th working of big and complex organizations. His observations on "a new dea for railway employees" is a treat to g through. At a time when the safe an secure functioning of the railway system has been tampered with to some extent there can be no more valuable asset t the railways than a friendly and cooperative work force which not only has faith in the administration but which also feels that it is a part of the administration. The country is therefore fortunate in its Railway minister who can justly claim, as Mr Dandavate does, that his relations with employees is "motivated by my democratic perspective of conducting the railway administration in full cooperation with the railway employees and their trade unions". In the central cabinet, Mr Dandavate has undoubtedly distinguished himself as one of the more decent, sincere and performance-oriented ministers. This government could do with more like him.

Railway Budget at a Glance

(Rs crores)

	Actuals 1976-77	Budget Estimate 1977-78	Revised Estimate 1977-78	Budget Estimate 1978-79
Gross Traffic Receipts	2036.11	2110.24	2131.61	2219.86
Ordinary Revenue Working Expenses (Net) i.e. after taking credit for recoveries	1548.96	1648.74	1611.06	1700.90
Appropriation to Depreciation Reserve Fund from Revenue	135.00	140.00	140.00	145.00
Appropriation to Pension Fund	35.00	40.00	40.00	50.00
Net Miscellaneous Expenditure (including cost of works charged to revenue).	20.86	23.68	24.16	25.71
Total	1739.82	1852.42	1815.22	1921.61
Net Railway Revenue	296.29	257.82	316.39	298.25
Dividend to General Revenues	209.05	225.32	227.07	232.82
Net Surplus (+)/Shortfall (—)	+87.24	+32.50	+89.32	+65.43
Operating Ratio	84.4%	86.6%	84%	85.4%

Energy planning : an area-wise approach

THE HEIGHTENED emphasis that is being placed by the Janata government on the development of the energy resources of the country with a view to overcoming all difficulties on this front within a time span of five to seven years is not misplaced. The recurring power shortages, which get accentuated in the years of below-normal rainfall, have been having a serious impact on our economy and invariably in the recent past the spectacle has been witnessed that whereas traditionally the agriculturists used to pray for rains, the industrialists have now started doing so in a greater measure. This is because the industry is the biggest sufferer in times of power shortages as agricultural requirements are accorded the highest priority.

It is also heartening to note that the heightened stress on developing energy sources is being energetically followed up with concrete action. A clear evidence of this is available in the recent grant of permission for the import of 500 MW generation unit by the Tatas, the clearance of a second super thermal power station to be set up at Korba in the public sector, the reaching of the accord on such inter-state hydel projects as the Thein dam and the general liberalisation of the import policy regarding equipment and machinery, including those required for power generation.

thermal capacity

Green signal is understood to have also been given to the preparatory work on three more super thermal power stations, in addition to the one already being set up at Singrauli and the second one cleared for construction at Korba. Four of these stations will have capacity to generate 2,000 MWs of power each and the fifth one between 1,500 and 2,000 MWs.

If the deliberations of the conference of state power ministers, which was held in New Delhi in the last week of January, are an indication, the functioning of the state electricity boards too is envisaged to be streamlined in the near future by keeping political considerations out of their operations. This in itself can improve power generation as well as distribution not insignificantly, as there is a good scope for better utilisation of the installed capacities. The optimum results from the streamlining of the state electricity boards, however, can be achieved only if apart from improving their efficiency, they also aim at a better relationship between power availability and sanction of new loads. The difficulties experienced in the recent past on the power front, undoubtedly, have their genesis to a considerable extent in the indiscriminate sanctioning of loads a few years ago with an eye on the propaganda value of all the villages in a state being provided electricity. The practice still continues. This has resulted in the demand estimates going awry. The future sanctioning of loads needs to be rationalised in the interest of obviating the widespread discontent arising out of power shedding, which in the case of industries not only leads to cutbacks in production but also sometimes damage to equipment.

power packages

A much more significant move in regard to the future planning on the energy front, however, is the attempt being made for the first time to draw up power packages area-wise so that the future development programmes can be tailored specifically to the resources available in the concerned areas at an optimum cost. The interlinking of state electricity grids with the ultimate objective of having a national grid, of course, is not being given up. But taking into consideration the vast countryside, the cost of carrying power to where (including the transmission losses) is not an easy proposition to tackle, the area development programme, apparently, makes sense. Addressing the third International Seminar of Economic Journalists in New Delhi last week, the director of the research and development division of Bharat Heavy Electricals Limited, Dr H.N. Sharan, dwelt upon this issue at some length. He indicated that the integrated development programme was being drawn up not only o the basis of the conventional sources o energy such as hydel and thermal—coal natural gas as well as nuclear—but also taking into account such new sources a solar, wind and tidal.

Some concerted efforts have been made in the last couple of years in regard to the solar and biogas energy systems— particularly in respect of the latter. But the approach being developed now is to shift from individual units to the village community units and to integrate these systems in such a way that power is available throughout the 24 hours of the day.

time consuming

The development of the non-conventional systems, of course, is going to be a time-consuming process, especially when the objective is to be that the consumer has to be provided energy from the non-conventional sources at a price not exceeding the cost of the conventional energy. A breakthrough has yet to be achieved in solar energy and to some extent in the case of the other non-conventional sources. The efforts, of course, are not misdirected.

The nuclear power resources are proposed to be developed in areas which are deficient in hydel resources and are also situated far away from the main coal belt of the country. Already we have two nuclear power projects—one located in Maharashtra and the other in Rajasthan. The third one is being put up at Kalpakkam in Tamil Nadu and the fourth one is to be set up at Narora in western Uttar Pradesh. The locations of all these plants, in fact, were selected on the above criterion, but the reiteration of this criterion by Dr Sharan apparently was needed in view of the clamour of certain other states to go in for nuclear energy even though they still have sizeable potential to be harnessed in hydel generation as well as production of electricity from coal. In some areas on the western coast, there is also a possibility of utilising natural gas as a source of energy, even though the present plans are to use this gas for the manufacture of fertilizers and petrochemicals.

So far as hydel energy is concerned, there indeed still remains a large potential of it to be tapped, especially in the Himalayan range. It is not only the most economical source of power in the long run—after the initial heavy investment is made—but also a renewable and pollution-free source. Its development, therefore, has to be pushed through at a more accelerated pace than has been the case hitherto. Several hydel projects have not yet progressed beyond the blueprint stage as they are inter-state projects. Concerted efforts need to be made to bring about expeditiously inter-state agreements concerning these schemes.

coal-based power

But one important point that needs to be stressed in this regard is that hydel projects take more time to materialise than the coal-based ones. This time span will increase further as we go to the remoter areas of the Himalayan ranges. In the immediate future, therefore, coal-based power will have to be developed faster. This may lead to some departure from the norm followed hitherto for hydel and thermal generation, i.e,, 40: 60 per cent. But this should prove a blessing in disguise as the difficulties on the power front in the recent past have arisen to no small extent owing to hydel generation not coming up to expectations because of one reason or the other, the most important among them being inadequate rainfall or slow melting of snow. The base load requirements are primarily met from thermal generation. If these requirements have to be met fully, the thermal capacity has to be augmented expeditiously. The hydel power in most areas will then be capable of looking after the peak-load requirements. It, of course, has to cater for the base load requirements in some areas where it is designed to do so.

The progress on the coal-based power front, indeed, can be expected to be much more fast than has been the case in the past, as a result of the decision to set up giant stations. Wholesome results, however, can accrue if those industrial projects which desire to have their captive units are allowed to go in for them without much fuss. In fact, they ought to be assisted to the extent possible.

The emphasis on expeditiously raising the thermal power generation capacity in the next few years, even by departing from the conventional norm of hydel and thermal generation, need not run counter to the area-wise energy packages as the location of the new projects can well be fitted into the overall long term pr gramme without much difficulty. Ma state grids have already been inter-linke The transmission of power, therefor may not be a problem.

FERA issues fare well

A SILENT revolution is taking place in the industrial sector with the foreign owned companies expanding their activities spectacularly. While the new concessions granted by the central government in the form of investment allowance, a post-tax return of 12 per cent on net worth and fixation of differential retention prices have not enthused Indian entrepreneurs to promote entirely new enterprises, foreign owned companies have taken advantage of the procedures adopted by the government under the Foreign Exchange Regulation Act (FERA) for diluting ownership in equity capital of foreign interests on an advantageous basis and embarking also on ambitious, new and expansion schemes. It is true that efficient, established Indian enterprises also have been expanding their activities with the issue of right shares and raising of term loans. But, the element of compulsion to undertake new schemes is absent as there is no need for dilution of ownership of major shareholders except where there were closely held companies or there was anxiety to get the equity shares of these companies listed for trading in the stock exchanges.

basic fact

The central budget for 1978-79 will have to devise ways and means for eliminating the disabilities of industrial units engaged in such base industries as fertiliser, cement, paper and heavy chemcials as the Finance minister, Mr H. M. Patel, recently observed that in spite of concessions granted by the government there had been no substantial pick up in industrial activity. The basic fact remains that fresh investment in capital intensive industries on the basis of current cost for plant and machinery and prevailing prices for end-products controlled or otherwise, is not attractive. The prevalence of high interest rates and the pursuance of a dear money policy also have led to warping effect on the return on capita employed and the inability of nev enterprises to ensure an average retur of 12 per cent on equity capital. The preference of new and old investors has beer to employ their savings in the shares o FERA companies or keep them in th form of fixed deposits with reputed industrial establishments.

same disabilities

It may be argued that the FERA companies too are suffering from the same disabilities and there is no reason for the enthusiastic response for the issues of equity capital by many units in recent months. But, the higher profitability of their specialised avocations, better management and a strong base have encouraged nearly all units affected by FERA to dilute their equity capital by issuing new shares on right basis or public subscription by Indian nationals at par or at premium wherever necessary. In the earlier stages a slow and systematic policy of dilution of ownership in equity capital was pursued by Union Carbide, Indian Oxygen, Atlas Copco, Guest Keen Williams, Dunlop India, Goodyear, Indian Aluminium, Philips India and others. These units have been expanding their activities steadily over a period and the required capital has been raised through the issue of right shares at premium and term loans from financial corporations. Some companies even made public issues on advantageous terms and heavy investment has taken place in the implementation of expansion and new schemes.

The enforcement of the provisions of FERA on the basis of a deadline and precise guidelines had however led to a spate of new floatations in 1977. Many more are in the offing and the number of new issues in 1978 may be even more than those recently witnessed because a large number of sterling companies have yet to promote counterpart rupee companies and adhere to the deadline indicated by the Reserve Bank. The dilution in the foreign ownership has varied in individual cases depending upon the character of business carried on by the affected units and the extent of foreign ownership.

Where wholly owned subsidiaries of foreign companies are involved the first stage of dilution has been to 74 per cent to 100 per cent or 66:33 per cent. In the case of tea companies it has been suggested that the foreign interest should reduce their ownership to 74 per cent initially and 40 per cent eventually. Some complications have arisen over the manner of valuation of assets of the sterling tea companies before being conveyed to the newly promoted counterpart rupee companies. Since the Income-tax department has been contending that there is a heavy undischarged tax liability in respect of expenses of home offices and remittances to foreign interests the valuation procedures has been inhibited. It is also felt that the extraordinary boom in profits in 1976-77 with unprecedented rise in world prices for tea exaggerated the valuation basis and that the average of profits for five years should be adopted for capitalisation purposes and not the average of three years as has been insisted upon by some interests.

the contradictions

In view of the exceptional character of the profits for 1976-77 and the large profits repatriated by the sterling companies in earlier years it might even be examined whether the earnings for 1976-77 should be included only after making some adjustments or even excluded for determining the reasonable average profits for valuation purposes. The contradictions in this regard will be satisfactorily settled in the next few months as a number of sterling tea companies have yet to raise their capital.

It must be said, however, that Tata Finlay's example of taking over major tea companies is commendable as the consideration to the owners of merging tea companies has been paid only partly in the form of equity shares and large portion is payable in instalments against loans given to Tata Finlay by the merging companies. These loans represent the remaining portion of the consideration for making over the assets of the merging tea companies. Tata Finlay also reduced the foreign ownership at one stroke to 40 per cent and equity shares were offered for public subscription at par. These shares are now quoting at Rs 24 or at a premium of Rs 14 per share. The return on fresh investments also was highly satisfactory as an interim dividend of 15 per cent taxable for 1977-78 has recently been announced on enlarged equity capital. The new shareholders also have the advantage of getting the final dividend of 10 per cent taxable out of the earnings for 1976-77 even through the shares were allotted just before the close of the accounting year.

varied procedures

Other foreign owned companies have come on the market for raising their requirements. The procedures adopted in individual cases have varied widely. The wholly owned subsidiaries forming new rupee companies have valued their assets conservatively. In some cases like Dorr Oliver the assets have even been handed over at book value while in some other cases the valuation basis has been adopted. It is regrettable however that in some instances like Indian Duplicators, additional capital has been needlessly raised even after attempting a massive capitalisation of reserves. In these instances additional equity capital was not required, and the new schemes were not of such a character as to justify the expansian of the equity base in such a big way. It would have been preferable if offers for sale of equity shares had been attempted without expanding the equity base and the proceeds repatriated on a staggered basis. The government even could have agreed to immediate repatriation of proceeds where offers for sales of equity shares are involved, because some profitable use could have been found for accumulation of foreign balances. The procedures have not been uniform as the problems of individual companies were different. In the large majority of cases however Indian investors have benefited immensely as there is a virtual boom in equity shares of FERA companies presently.

The lists for issues of equity shares have been oversubscribed heavily and the stock exchange authorities will have difficulties in formulating procedures for allotment of equity shares. Nevertheless an attempt has been made to disperse ownership of new share-holdings and benefit small investors. No precise estimate is available of the extent of fresh investment in new and expansion schemes of foreign owned companies. But it can be safely presumed that the outlay will be easily in excess of Rs 150 crores and when the remaining floatations are completed the aggregate fresh investment may exceed Rs 250 crores or even Rs 300 crores.

outstanding examples

There is of course no large fresh investment in tea companies as only the conversion of sterling companies is taking place and fresh expenditure on new schemes is not sizable but in other instances new schemes are being taken up, the outstanding examples being provided by Hindustan Lever, Dorr Oliver, India Foils, Bimetal Bearings, ASEA and Britannia Biscuits. This silent revolution has certainly been helpful in expanding the industrial base and promoting activities in the directions where additional production will result in the displacement of imports and hasten the process of import substitution. The pharmaceutical units too may before long come out with their plan for dilution and expansion of activities.

It will be desirable however to permit offers for sale of equity shares where a large capital base already exists and the debt equity ratio is low. The raising of term loans by themselves will result in the desired broadening of equity base when expansion schemes fructify. In some instances there has even been issue of equity capital on the basis of negotiated premium for being firmly allotted to the term lending institutions where they agreed to surrender their right for converting portions of term loans. Whatever may be the procedure adopted, the small investors must be afforded a reasonable opportunity for participating in the current boom and offers for sale will be more attractive where unnecessary dilution for its own sake can be avoided. The same objective can be achieved by selling shares out of existing capital and permitting even immediate repatriation where the balance of advantage to the country is clear.

CAPITAL'S CORRIDORS

R. C. Ummat

Coal controversies • IDBI and IFC assistance • Provident fund investments • Food for work programme • Party prospects in state elections

THE PRIME minister, Mr Morarji Desai, is understood to have suggested to the minister for Energy, Mr P. Ramachandran, that the issue of transfer of the department of coal from the ministry of Energy to the ministry of Steel and Mines may be sorted out through discussions between the secretaries of the two ministries. The ministry of Steel and Mines originally desired that the department of coal should be transferred to it in its entirety, but later on after encountering opposition from the ministry of Energy, it modified its stand to the effect that the transfer of even coking coal mining to it would do. The ministry for Energy has been resisting this presumably on the considerations that all coal mining should be handled by one department. Discussions at the level of secretaries of the two ministries are expected to take place in the near future.

unsolved issue

The issue of importing coking coal for steel manufacture also continues to remain unresolved. The ministry of Steel and Mines had suggested import of one million tonnes of this type of coal on the consideration that it will not only help conserve our own limited coking coal reserves but also help in better utilisation of the steel-making capacity. Our coking coal reserves are estimated to last not more than 40/45 years. It was felt by the ministry of Steel and Mines that the current comfortable foreign exchange position could be utilised for importing some quantities of coking coal.

The major hitch in importing coking coal could be the cost, both direct and indirect. It is being argued that coking coal imports will mean subsidising exports of steel. Our coking coal requirements at the current level of steel production of slightly over 10 million tonnes ingots are estimated around 16 million tonnes. The domestic supply is approximately 15 million tonnes. Even though the prices of coking coal in the international market have come down, the imports are envisaged to cost Rs 800 per tonne. The domestic price of washed coking coal is around Rs 200 per tonne. It requires 0.8 tonnes of washed coal or 1.2 tonnes of raw coking coal to produce one tonne of hot metal.

significant subsidy

The imports, it is stressed, will raise the marginal cost of producing steel by about Rs 800 per tonne and this steel in the present day circumstances will have to be exported. The result will be that even though the overall cost of manufacturing steel may come down marginally through the import of coking coal, the cost of producing slightly increased quantities of steel for export would entail a significant subsidy.

The production of coal is stated to be progressing well. The latest data indicate that we produced during the first ten months of the current financial year 81.5 million tonnes of coal—3.8 million tonnes more than the output during the corresponding period last year. This was despite the fact that the coal mining areas received a very heavy rainfall during the last monsoon season and there were considerable power trippings and also a prolonged strike at the Gomia explosives factory. Coal India Limited and its subsidiar are stated to have increased their da production by over 25 per cent duri the three months to January—fr 2.68 lakh tonnes to over 3.34 la tonnes. The stocks at the pitheads a said to be quite comfortable arou 10.5 million tonnes, in spite of the st plants, power houses, cement-manufa turing units, paper mills, textile unde takings and brick-making kilns being pr vided supplies during the nine months December of a significantly higher ord compared to the corresponding peri last year—8.3 per cent, 7.5 per cent, 4 p cent, 5.7 per cent, 7.4 per cent and 44 per cent more, respectively.

To keep up the tempo of coal produ tion, nine new projects have been san tioned this year, involving a total cost Rs 5 crores. These are the Dhemomai Ninga, Raibati and Kottadih projects i West Bengal, the Ramgarh washery an the Ramgarh mine schemes in Bihar, th Godavari mining project in Andhra Pra desh, the Churcha expansion scheme i Madhya Pradesh and the Karo project i Bihar. The outlay for developing the coa industry is being increased from Rs 19 crores this year to Rs 232 crores next year

The government has also sanctioned th opening of the second lignite mine a Neyveli. It will have a capacity to pro duce 4.7 million tonnes of lignite pe annum and will support the setting up o a 630 MW power station. Both these projects are estimated to cost Rs 375.1 crores.

* *

Although efforts have been made i recent years to foster the industrialisatio of the less-developed states, the major portion of the financial assistance provided b the Industrial Development Bank of Indi (IDBI) and the Industrial Financial Corporation (IFC) has gone to such industrially advanced states as Maharashtra, Gujarat and Tamil Nadu. Up to the end o September, 1977, these three states had accounted for nearly 40 per cent of the assistance sanctioned by the two financial institutions for the industrial projects primarily in the private sector. Maharashtra had got till then assistance to the tune of Rs 451.77 crores from the IDB and Rs 132.19 crores from the IFC. Tamil Nadu had received Rs 284.83 crores from the IDBI and Rs 82.19 crores from the IFC and Gujarat Rs 354.55 crores and Rs 47.41 crores, respectively. The aggregate assistance provided by the IDBI to all the states and union territories had been of the order of Rs 2,434.42 crores and that made available by the IFC to the tune of Rs 683.17 crores.

Interestingly enough, the projects in West Bengal had received till September 30, 1977, assistance to the extent of only Rs 173.62 crores from the IDBI and Rs 54.47 crores from the IFC. This was perhaps due to the fact that the investment programents in this state had been upset in recent years because of the reasons too well known to be dwelt upon here.

The financial assistance made available by the IDBI includes direct loans (including for exports), underwriting of and direct subscriptions to shares and debentures of industrial concerns, refinance of industrial loans and export credits, rediscounting of bills and guanrantees. The assistance from the IFC covers direct loans, underwriting of and direct subscription to shares and debentures of industrial concerns and guarantees.

moderate assistance

Karnataka, Andhra Pradesh, Kerala, Punjab and Haryana have been receiving assistance from the two institutions in a moderate manner. Even though the shares of Uttar Pradesh and Bihar in the total assistance provided by the two organisations have been of a higher order than those of Karnataka, Andhra Pradesh, Kerala, Punjab and Haryana, they cannot be construed more than modest if note is taken of the sizes of the two states. These seven states had received upto September 30, 1977; assistance from the IDBI and the IFC to the following extents, respectively: Karnataka Rs 159.96 crores and Rs 45.75 crores, Andhra Pradesh Rs 136.13 crores and Rs 53.88 crores, Kerala Rs 81.75 crores and Rs 20.23 crores, Punjab Rs 80.07 crores and Rs 13.56 crores, Haryana Rs 58.59 crores and Rs 27.45 crores, Uttar Pradesh Rs 203.77 crores and Rs 79.45 crores, Bihar Rs 83.25 crores and Rs 32.41 crores.

Madhya Pradesh, Rajasthan, Orissa and Assam had got assistance to the tune of Rs 71.79 crores, Rs 80.07 crores, Rs 46.21 crores and Rs 38.35 crores from the IDBI and Rs 17.76 crores, Rs 28.45 crores, Rs 16.45 crores, and Rs 11.04 crores from the IFC, respectively. Jammu and Kashmir and Himachal Pradesh had received assistance only to the tune of Rs 19.32 crores and Rs 11.92 crores from the IDBI and Rs 1.4 crores and Rs 2.09 crores from the IFC

Among the smaller states, Manipur had got assistance of the order of a bare Rs 30 lakhs from the IDBI and no assistance from the IFC. Meghalaya, Tripura and Nagaland had been provided assistance to the extent of Rs 4.09 crores, Rs 1.72 crores and Rs 1.01 crores by the IDBI and Rs 2.82 crores, Rs 80 lakhs and Rs 50 lakhs by the IFC.

Delhi's share

Among the union territories, the largest amount of assistance went to Delhi and Goa, Daman and Diu, the former getting Rs 40.61 crores from the IDBI and Rs 6.59 crores from the IFC and the latter receiving Rs 64.27 crores from the IDBI and Rs 4.75 crores from the IFC.

The assistance made available by the IDBI to the other union territories was as follows: Pondicherry Rs 6.68 crores, Chandigarh Rs 3.21 crores, Dadra and Nagar Haveli Rs 89 lakhs, Arunachal Pradesh Rs 56 lakhs and Andaman and Nicobar Islands Rs 22 lakhs. No assistance had been provided by the IDBI to Mizoram and Lakhsadweep, Minicoy and Amindivi Islands. Pondicherry had been provided assistance to the tune of Rs 1.09 crores and Andaman and Nicobar Islands to the extent of Rs 42 lakhs by the IFC.

The above imbalance in the assistance provided by the two institutions to the different states for setting up industrial undertakings is officially explained by the fact that these institutions by themselves have no direct control over the location of a project as the location is decided either by the promoter or is indicated in the industrial licence issued by the government under the Industrial (Development and Regulation) Act, 1951. The two institutions, however, are stated to be encouraging, to the extent possible, taking into consideration the economic justifications of the projects from the national point of view, such schemes as are sponsored by technician-entrepreneurs and those coming up in the backward regions.

* *

The recommendation of the Board of Trustees of the Employees' Provident Funds scheme for raising the interest rate on the accruals to these funds from eight per cent this year to 8.5 per cent next year—the silver jubilee of the scheme—is estimated to require an amount of Rs 149.61 crores. The total interest payable on the anticipated credits of Rs 1,812 crores in these funds is estimated to be Rs 154 crores, but this is likely to be reduced by about Rs 4.4 crores on account of the savings in interest on the withdrawals allowed to members. On the current pattern of investment of these funds, the likely amount available for distribution is estimated around Rs 133.9 crores. There will, thus, be a gap of Rs 15.7 crores to be bridged.

This, however, is not expected to pose any big problem as attempts are being made to diversify the investment portfolio of these funds. Several steps have already been taken in this connection. These include: (1) Increasing investment out of the current accruals in short-term securities which ensure a higher interest; (ii) reinvestment into short-term securities of nearly Rs 93 crores withdrawn from the investments in long-term securities; (iii) conversion of the current accruals in a current account with the State Bank into savings account; and (iv) prevailing upon the Reserve Bank and the P&T authorities to pay the funds maturity proceeds of investments with them under reinvestment system as done by the banks for investment under their post office time deposit schemes instead of payment of interest annually.

The board of trustees has also made a recommendation that 25 per cent of accumulations in the employees' provident funds should be allowed to be invested in fixed deposits with the nationalised banks. It is further envisaged that the excess investments already made in government securities should be brought down. Although employees' provident funds are required statutorily to invest only 50 per cent of their total accruals in government securities which can give a maximum yield of 6.5 per cent per annum, the investments in these securities currently aggregate to around 66 per cent. The release of some of these investments for investment in time deposits and special deposits, which yield a return of 10 per cent per annum, can go a long way in improving the earnings of the employees' provident funds. A significant amount of accruals to these funds remain still invested in government securities which yield such a low return as three per cent.

The trustees of the employees' provident funds have also expressed the view that the subscribers to these funds should be entitled to a slightly higher interest rate than those to the general provident fund (government employees) as, whereas in the case of the latter interest is payable on monthly balances, it is paid in the case of the employees' provident funds scheme only on the opening balances in a year. There has been a lot of criticism on this score. The recommendation of the trustees of the employees' provident funds scheme, therefore, is not unwarranted.

* *

Even though the progress in regard to the food for work programme still leaves much to be desired, it is understood to have picked up significantly. Requests for foodgrains under this scheme are understood to have been received from 14 states, involving 5.14 lakh tonnes of wheat and 21,688 tonnes of milo. The allocations already made aggregate to about a lakh tonnes of wheat and 1,850 tonnes of milo.

The food for work programme was instituted over a year ago to convert the large food stock available with the government for developmental purposes. It, however, made a very tardy progress in the beginning and up to about six months ago, the requests for releases of wheat had been received only from four or five states, involving not more than 50,000 tonnes. To make the scheme more attractive, a good deal of modification was effected in it recently to include several new developmental efforts.

* *

Even though claims and counter-claims are being made by the Janata party, the Congress led by Mr Brahmananda Reddi and Mr Y. B. Chavan and the breakaway faction of the Congress headed by the former prime minister, Mrs Indira Gandhi, about the chances of their success in the February 25 elections to the state legislatures in Maharashtra, Andhra Pradesh, Karnataka, Assam and Meghalaya and the union territory legislature of Arunachal Pradesh, opinion in political circles appears to be veering round to none of the parties securing absolute majority anywhere, exceps perhaps in the union territory of Arunachal Pradesh. The contest for the 288-member Maharashtra legislature is claimed to be between the Janata party and the Reddi-Chavan Congress for most of the seats and between the Janata party and Congress (I) in some parts of Vidarbha. In Andhra Pradesh, all the three parties appear to be closely balanced for the electoral battle for the 295 seats. In Karnataka, the fight for the 224 seats is said to be crystallising primarily between the Janata party and Congress (I).

The contest in Assam for the 126 seats is said to be primarily between the Janata party and the Reddi-Chavan Congress and to some extent between the latter and the Communist party of India (M). In Meghalaya, the three major parties which are contesting for the 60 seats are the Reddi-Chavan Congress, the All Party Hill Leaders' Conference and the Hill State Peoples' Democratic Party—the Janata party has not put up any candidate here on its own. In Arunachal Pradesh, where elections are being held for the first time, two Janata party candidates have alrea been elected unopposed and the party reported to be comfortably placed v a-vis its opponents for the remaining seats.

The vertical split in the Congress shou have brightened the chances of the Jana party at the ensuing poll in all the stat but internal dissensions and the adm sion of some controversial figures in its ranks seem to have mitigated its pro pects in Karnataka and Andhra Prades The lack of clear-cut issues before t electorate is said to have failed to enthu the general public. Some unnecessa controversies such as the language issu which could well have been avoided the Janata leaders by not insisting addressing the election meetings in Hin in Andhra Pradesh and Karnatak seems to have further confused the situ tion. The Janata party has also n been able to fully bring to the notice the electorate the success achieved by in stabilising the price level and some the wholesome measures it has taken impart dynamism to the economy. Th opposition is taking advantage of th by stressing that the Janata-led govern ments in the country are drifting ain lessly. Mrs Gandhi is trying hard win over the backward sections in a b to stage a comeback. How far she wi succeed is anybody's guess. Perhaps sh is depending upon the memory of th electorate about the excesses of the eme gency being too short-lived.

Attention Subscribers

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Manager

Trading with western Europe

Prof P. N. Agarwala

The author chalks out measures by which our exports to western Europe can be substantially increased in spite of restrictions imposed by the EEC on many of our manufactures. Prof Agarwala, apart from holding many responsible positions, has been chief marketing manager of State Trading Corporation for over a decade. His suggestions therefore merit serious consideration.

WEST EUROPEANS have been great traders from ancient times. Their share of world trade despite the loss of the colonies by the metropolitan powers stands at 40 per cent. Foreign trade plays a crucial role in the economies of Britain, the Scandinavian countries, West Germany, France, Italy, Belgium and the Netherlands. For almost two decades from 1954 to 1973 the countries comprising the European Common Market—Belgium, Netherlands and Luxembourg which originally founded the coal and steel community in 1948 and France, West Germany and Italy which joined in mid 'fifties to form the ECM—registered an economic growth rate between four and five per cent per annum. This has been the highest growth rate achieved by these economies in recorded history. In the 19th and first half of the 20th century when most of these countries experienced industrialisation and a dynamic transformation of their economies, the average growth rate per annum was only around two to three per cent.

reducing tariff barriers

West European countries realised in the late 'forties when the withdrawal from the erstwhile colonies started that the best way to preserve their economic growth was to reduce the tariff barriers within themselves and induce a greater flow of trade. The memories of the great depression of the 'thirties were also fresh at the time and there was a pronounced thrust towards multilateral trade till the onset of the oil crisis followed by the severest recession in the post-war period and the comparative stagnation witnessed over the past three years.

Britain had earlier stood out of the inner six and had formed the outer seven group. However, the rate of economic growth of the outer seven was less than the rate achieved by the members of the ECM. Britain, Ireland and Denmark joined the ECM in 1972 and the ECM today constitutes the single largest affluent market in the world—being larger than either the continental markets of the USA or the USSR.

Our trade with west European countries which in the 'forties and early 'fifties amounted to well over a third to two-fifths of the total exports came down in the 'sixties to only 20 per cent of our total exports. Britain which had for two centuries remained our leading trading partner yielded place to the United States and latterly to Japan and the USSR and came to occupy the third or fourth position amongst our trading partners. Even so, it alone accounted for over eight per cent of our exports in 1976-77. In the past five years, however, India's share of the West European market has improved from 20 to 25 per cent as a result of increased exports to West Germany, France, Italy and the Scandinavian countries. For the first time in 1976 and 1977 India is expected to have achieved a favourable balance of trade with the ECM whereas for the past many years it was running a considerable deficit mainly on account of heavy imports from West Germany and other west European countries. Our exports in 1976-77 to west European countries amounted to nearly Rs 1250 crores of which about Rs 400 crores and odd were accounted for by Britain alone and the balance was spread over the continental countries.

POINT
OF
VIEW

Despite the continued high rates of unemployment in West Germany, that country's intake of the products of the Third World countries in 1977 has been very well maintained. West German imports from Third World economies have been running close to $3 billion annually and marks a significant step up even over the levels of the previous year. Even so, India has a long way to go to reach the 40 per cent share which west European economies account for on the world scene and these markets offer a high potential for growth in several selected sectors. Despite the emerging protectionist stance particularly in France and some of the other ECM countries, there is an irreversible global shift taking place in these economies from labour intensive fields to more capital intensive areas like computerisation, think tank technology, aerospace engineering, wired city technology and sophisticated hardware.

domestic pressures

West Germany, France, Britain and Italy account for well over a fifth of the world trade and in their own enlightened self-interest cannot be expected to pursue the protectionist trends over a long period of time. Any prolonged pursuit of this course is bound to bring in retaliation and quantitative restrictions, tariff barriers, quotas which will depress their exports and, therefore, they can be expected to pursue this course only to a limited extent. The continuing high rates of unemployment which their economies have been experiencing for the past three and a half years have no doubt created domestic pressures compounded by political compulsions to seek temporary relief by resort to protectionist measures as in the case of France which faces an election next spring. The Italian economy which had imposed severe import restrictions in the wake of very heavy deficits and quotas, has relaxed some of these measures and the situation is now easing owing to the partial recovery of the Italian economy from its balance of payment crisis in he past one year. For the first time the Italian economy has registered a surplus on foreign trade since the oil crisis.

British economy also after having experienced very heavy bouts of inflation from 1974-76, had in 1977 been showing signs of settling down and renewed vigour. Thanks to the flow of North Sea oil, the British balance of payments position has shown a dramatic improvement in 1977 and the foreign exchange reserves of Britain now stand at over $20 billion, reflecting a fourfold increase in the past 11 months. The rate of inflation in Britain has almost been brought down to single digit levels although the unemployment situation remains as intractable as before.

balancing accounts

West European economies have of late not shown the vigour and dynamism noticed in the 'fifties and 'sixties and are trying desperately to balance their accounts in the wake of the oil crisis by increasing their exports to the OPEC countries and by energy conservation measures. While no dramatic improvement in the west European economic situation is on the horizon the OECD countries are expected to attain an economic growth of three to 3½ per cent in 1978 which even though low by the post-war standards will still remain historically a high figure.

India has entered into a treaty of economic cooperation with the European Common Market and recently negotiations have been conducted as a result of which jute and coir goods enter duty-free in the ECM countries with effect from January 1, 1978, six months ahead of schedule. At the time of writing there is no clear indication of a final agreement having been arrived at with EEC in regard to the multi-fibre agreement on textile export quotas proposed by EEC. This matter is being posted before the EEC foreign ministers and a final decision may be expected shortly. From current indications India may not be able to secure a very much higher quota than the levels reached in 1976-77 but even so it may be able to etain the existing levels. It is pertinent o recall in this regard that the quotas of Hong Kong, South Korea and Taiwan have been slashed by 11 to 13 per cent. Textile exports of Hong Kong and South Korea are several times that of India in terms of readymade garments and wearing apparel.

Both West Germany and Britain have been consistently reporting a steady movement away from the leather and leather products areas and these fields are becoming increasingly available to us. France and Italy are no doubt endeavouring to hold on to their present positions being leaders in fashion. But even this situation might undergo a change in the coming years. We should, therefore, look at these markets for leather and leather products from a long term strategic view-point. Owing to over-stocking and the general economic stagnation the offtake of leather products in the ECM countries this year has not been very encouraging yet improvement may be reasonably expected in 1978. If we could fashion our leather finishing technology and set up common facility centres to help the bulk of our small and cottage units engaged in footwear manufacture, we could make a real dent into these markets. A recent UN study has brought out that the value added realisations from export of footwear and leather garments can be eight times more than the realisations achieved through export of semi-processed leather which still accounts for considerable amounts of our annual exports.

lack of image

We have greatly suffered from the lack of a proper image among the discerning consumers of western Europe as a supplier of sophisticated consumer items. This deficiency has to be made good by increased and constant participation in general and specialised trade fairs and exhibitions as also by a calculated investment in publicity, sales promotion, advertising and in the initial stagest hrough marketing tie-ups with appropriate distribution channels.

In the case of made-up garments also the need for keeping up with the latest fashion designs and changes is paramount. The Japanese have been able to come up with their own designs and fashions which have been accepted in the fashion centres of France and Italy. There is no reason why our designers and artists cannot come up with creative styles and patterns whic we may be able to offer and gain accep tance. Till such time as we are able t generate our own fashions we must kee in step with the west European spring an autumn fashion changes and designs In these countries, consumers do no buy an item for use till it wear out or is absolutely jaded but they ar keen on keeping ahead of the lates changes. We are singularly well placed fo making overalls, workmen's uniforms, industrial clothing as we grow the medium staple cotton largely required for this kind of manufacture and have the necessary skilled expertise, industrial and technical facilities to fabricate this type of clothing.

common facilities

We have not so far attempted to break into this large market which does not require much sophistication and where we have an edge over other competing sources like South Korea, Hong Kong or Taiwan which lack the cotton base and where labour costs have been increasing of late considerably ahead of ours. The setting up of a separate export promotion council for textile garments is no doubt a step in the right direction but by itself it will not be able to make a very significant dent. Unless fashion and common facility centres are set up in Bombay, Delhi and in the eastern and southern regions, the small exporter of garments will not have the access to such style changes. This industry is mainly confined to the small and cottage units and only few large organisations have built up a turnover which can feed them with such fare independently. Here also tie up arrangements with the distribution channels can help.

Engineering goods offer perhaps the best potential in west European market particularly in the field of collapsible bicycles geared to the European tastes which are used largely for reasons of health during weekends or for convenience of parking as in the Netherlands and Denmark.

. Diesel engines and pumps, aluminium conductors, transmission towers, power cables, man-hole covers, castings and forgings, wire-rods, sewing machines, and electric motors have a good market. Owing to the disinclination of the labour in West Germany as well as in Britain and other countries to engage in uncongenial occupations many steel foundries have been closing in recent years. There is also considerable room for organising export of autoparts and ancillaries to western Europe. In-depth studies have been made to identify the range and scale of products which can be marketed in France, West Germany, Italy and Britain to the leading auto manufacturers provided we are able to assure timely deliveries preferably off the shelf from a central warehouse in Rotterdam or Hamburg or Marseilles.

Adherence to quality and specifications and timely deliveries in sizeable quantities are prerequisites to successfully breaking into the European auto market for bought-out parts. Many of the leading auto manufacturers buy their requirements on a day-to-day basis. Unless they can be delivered from a central point, the prospects for breaking into this area are indeed slim.

assembly arrangement

West European industry has also been moving away from the railway wagons sector as it is largely a labour intensive area. If we can set up assembly plants in Yugoslavia or in Spain and send out the wagons in completely knocked down condition, we may be able to break into this market and create work to keep our wagon builders occupied, many of whom are languishing for lack of adequate orders. In the area of machine tools, hand tools, and do-it-yourself kits, there is an immense potential. We have to increase our production capacities in the area of hand-tools and kits to generate larger export surpluses. Our machine tools have made a good start but this drive has to be intensified and kept up and it is most important that the engineering units in India make adequate arrangements for stocking spares and for building up a network of service facilities. Unless spares and service facilities are made available, it would not be possible to interest the average west European consumer to shop around for Indian goods.

There are many items which we make and can conveniently fabricate for the basement departments of the large chain stores particularly in the area of kitchen-ware like aluminium and stainless steel pots and pans and other kitchen utensils. It is imperative that stainless steel sheets are made available to export oriented projects at international prices. There is considerable scope even for export of garden chairs and outdoor furniture made out of aluminium which could be shipped from here in a collapsible condition and easily assembled from a central point in Europe.

market for articrafts

West Europe affords a tremendous market not merely for articrafts but for the utility handicrafts like salad bowls, wooden forks and knives and various other items. We could take advantage of this market if we organise production conforming to a uniform pattern and style in adequate numbers and guaranteed deliveries. Many large chains and mail order houses, with whom the writer has had detailed discussions in India and Europe have expressed interest in such items which they are currently buying from South Korea, Hong Kong, Taiwan, Singapore and the Philippines. As this is a largely labour intensive area, there is no reason why we may not be able to organise the production on a decentralised basis but conforming to the qualities and specifications of the foreign buyers. The exporting units can arrange to supply them the raw materials and designs and extend them the credit wherever necessary.

In the area of handmade carpets, India has lately emerged as a large exporter. This field is being vacated by Iran which held the fort for centuries and fortunately we have the skills and craftsmen who can weave the Persian patterns in our carpets in Kashmir, Delhi, Amritsar and such other centres as Mirzapur. If heating facilities can be made available to the carpet weavers in Kashmir in winter and the necessary raw material and credit inputs made available to them, we could increase our production of handmade carpets several-fold and generate exports worth Rs 100 to 200 crores a year particularly to such countries as Switzerland and West Germany who prize oriental carpets.

Our export of handicrafts, gems and jewellery have been doing rather well bu even so we can hope to increase our shar if intensive efforts are made to set up chain of stores in west European countrie selling our ivory, sandalwood, rosewoo inlay work, walnutwood crafts, papie mache and filigree silver work. Silver i now very much the in-thing and ou craftsmen from Orissa, Kashmir an Andhra have the skills to fashion th silver into very attractive pieces. We have thus far concentrated on the 'smalls' in our diamond exports; there is no reason why with the experience that we have gained, we should not be able to break into the market of the medium and even some of the larger stones. We can import the roughs from Zaire, Brazil, the USSR and the rough emeralds from Columbia and rubies from Burma which is again opening up to international commerce, and export our wares not only to western markets but also to oil-rich Gulf areas, Hong Kong and Japan.

marine products

Now that we have extended our sea limits to 200 nautical miles and are importing deep-sea fishing trawlers from Norway and Mexico there is no reason why we should not increase our catch and diversify our markets in western Europe rather than concentrating exclusively in Japan and the USA. Several west European countries are interested in importing our marine products particularly such landlocked countries as Switzerland, Hungary, Austria and Czechoslavakia.

Most of western Europe is dependent on imported crude supplies and it is only this year that the North Sea oil has begun to flow into Britain, and will start increasingly flowing to Norway. Even so, west European dependence in energy sources will remain very pronounced. Owing to pollution and other hazards, the progress on the nuclear front has been slow and halting. West Europe has largely tapped its hydro resources and with the anticipated scramble for oil supplies in the mid-eighties west Europe has perhaps no choice but to turn again increasingly to coal. As many of the miners in West Germany and even Britain have not shown any great enthusiasm in recent years to continue in these vocations, west Europe will have to increasingly nport coal. While our deposits of metalrgical and very high grade coals are mited, we do have ample reserves of irly good quality coal with a low ash ontent which could be washed and blendd. We need to develop the port handling acilities in Haldia, Paradeep and other orts to make a start. These exports ould become sizeable in the eighties.

While we have been exporting tea for ver a century and more in loose form for uctions in Mincing Lane, London, we ave not made any effort to blend and packet it as per the buyers' preferences or at making teabags and instant tea. Similarly, we are quite content with exporting cherry, arabica and robusta coffee in the form of beans for blending purposes rather than instant coffee. If we make investments in these areas, we can get better value added realisations as west European labour costs are far too high to warrant their continuing in such fields.

There is a considerable market in west Europe for mango pulp and even for some of our processed foods. If we could arrange supplies of tinplate and other canned materials at international prices, instal lithographic printing facilities fo the tin containers and team up with the food chains to supply mango nectar an other juices, chutneys, pickles and condiments as per European tastes and packag our spices and basmati rice in attractiv food packs conforming to the exacting health standards, our exports could b increased quite sizeably. All such measures backed with an aggressive sales promotion programme and effective distribution network will help us to attain the 40 per cent share which the west European economy holds in world trade.

Incidence of corporation income tax in India

G. D. Misra

An empirical study conducted by the author who is connected with the department of Economics, Banaras Hindu University, indicates that the corporate income tax is effective in changing the distribution of profits and may therefore be trusted as an instrument of tax policy for increasing public revenue and affecting private investment favourably.

EMPIRICAL INVESTIGATIONS have taken place from time to time to resolve the issue whether direct burden of business profit tax is borne by corporation in the short run[1]. All these attempts have centtred around the location of the incidence of corporation income tax by exploring the possibilities of 'shifting'.

'Shifting' may be considered as a process of locating the final place of rest of the tax burden. Incidence,[2] which is the outcome of the process, is not the object in itself. What is important is the differential effect of the fiscal action on economic activity. Incidence helps to isolate the nature of the effect of fiscal action.

The burden of corporation income tax may be incident either on consumers and wage earners or on corporate profits. If the burden falls on consumers and wage earners, their real income is reduced, which in turn lowers the effective demand. However, if tax burden is borne by corporate profits, the ultimate effect is on profitability and funds availability.

Reduction in the funds availability is inevitable even when tax burden is divided in the same proportion between distributed and undistributed profits, although the change in the distributed profits is more profound. Thus the firm's financial policy will have to be revised and investment plans to be readjusted. The object of this article is to determine how far the gross retained earnings (undistributed profits plus depreciation) as a source of internal funds and dividends (distributed profits), which have bearing on external funds, are affected by corporation income tax. If one finds that either distributed or undistributed profits have changed, as a result of imposition of tax on business earnings, incidence on profits is well determined.

There exist two approaches of isolating the place of incidence of business profit tax. The first one is classical partial analysis which leads to the conclusion that in the short-run tax incidence is entirely on business profits. The basic assumption under this argument is the maximisation of profits, where neither cost nor marginal revenue schedules are affected by the tax. The possibility of shifting is completely ruled out irrespective of product market conditions.

If the general equilibrium framework is adopted for the analysis of tax burden, the adjustment in price and output is possible. This adjustment is the outcome of managerial slack[3] which creates discrepancy between reported and actual profits. However, under full cost pricing the possibility of shifting is well accepted. If normal profits are treated as cost items, no allowance is made for normal return to working capital in the short run, and at least bonus share is reduced to wage earners, the shifting of the tax burden is evident. The major argument under this approach has been that most of the firms follow average cost pricing with allowances for a 'proper profit margin' net of taxes.

various studies

Thus on the one hand there are studies, which have found complete forward shifting; noticeable among these are by Krzyzaniak and Musgrave, Spencer, Roskamp and Dusansky. On the other hand studies by Cragg, Haberger and Meiszkowski and Davis have concluded 'no shifting'. There are other studies which have argued for partial shifting—shifting between zero and 100 per cent—on empirical basis. The findings of Gordan, Turek, Kiloatrick, Goode and Slitor fit into the class of partial shifting. The object of most of these studies has been to locate the final place of resting (incidence) of the tax. None of them except Goode have tried to analyse further the effect of tax on isolated elements of the economic system.

Existing studies with Indian data mainly belong to the two polar classes—100 per cent shifting and no shifting. Most of the studies in India have used the rate of return approach. G.S. Lumas has adopted Krzyzaniak and Musgrave model and has found that Indian corporations shift their more than 100 per cent tax burden forward to the consumers. Lall has observed the backward shifting—reductions in wage payments due to tax burden.

Following Krzyzaniak and Musgrave model with slight modificatians, V.G. Rao and K.S.H. Rao have found that shifting of corporation income tax is not possible and therefore tax burden rests on profits. In the other study on the incidence of corporation income tax in India, V.P. Gandhi has found that capital bears the burden of the tax and consequently the dividend payments and earnings retentions are affected. Gandhi has tried to analyse the effect on the components of the business profits with presumption that 100 per cent shifting[4] is not possible.

partial analysis

It is evident from the existing literature on the subject that most of the studies have not been concerned with the analysis of complete effect of corporation income tax on economic activity. Goode and Gandhi have tried to study this aspect. Gandhi's findings are far from satisfactory because (i) the period under study (1950-61) is too short for any general comment on uptodate behaviour of the corporate sector, and (ii) the specification is incomplete due to the absence of the factors like investment requirement (fixed assets and inventory), funds availability, financial risk and working capital position.

The model under present study has been formulated by adopting the adjustment mechanism postulated by Krzyzaniak and Musgrave for after-tax profitability. This adjustment mechanism holds in the case of zero and partial shifting of the tax burden. Corporations try to adjust[5] their desired dividend payouts and retention ratios by shifting a part or whole of the tax burden. Thus[6] :

$$D_t - \overset{*}{D}_t = c\, T_t \qquad (1)$$

$$(RED)_t - \overset{*}{(RED)}_t = d\, T_t \qquad (2)$$

where
$$\overset{*}{D}_t = a_0 + a_1 (PAT)_t + a_2 I_t + a_3(INV)_t + a_4 (DBTFLW)_t + a_5 (NI)_t + a_6 (RISKEN)_t + a_7 (LQDTY)_t + a_8 (AGEDTN)_{t-1} + a_9 D_{t-1} \qquad (3)$$

$$\overset{*}{(RED)}_t = b_0 + b_1 (PAT)_t + b_2 I_2 + b_3(INV)_t + b_4 (DBTFLW)_t + b_5(NI)_t + b_6 (RISKFN)_t + b_7 (LQDTY)_t + b_8 (AGEDTM)_{t-1} + b_9 (RED)_{t-1} \qquad (4)$$

These relations (1) to (4) may be reduced to the two relations describing actual dividend and retention behaviours respectively. The model for final testing may be adopted as :

$$\left(\frac{D}{k}\right)_t = c_0 + c_1\left(\frac{PAT}{k}\right)_t + c_2\left(\frac{D}{k}\right)_{t-1} + c_3\left(\frac{I}{k}\right)_t + c_4\left(\frac{INV}{k}\right)_t + c_5\left(\frac{DBTFLW}{NW}\right)_t + c_6\left(\frac{NI}{NW}\right)_t + c_7\left(\frac{DBTOUT}{NW}\right)_{t-1} + c_8\left(\frac{CA}{TNA}\right)_t + c_9\left(\frac{DPFCN}{GFA}\right)_{t-1} + c_{10}\left(\frac{TAX}{PBT}\right)_t \qquad (5)$$

$$\left(\frac{RED}{NW}\right)_t = d_0 + d_1\left(\frac{PAT}{k}\right)_t + d_2\left(\frac{RED}{NW}\right)_{t-1} + d_3\left(\frac{I}{k}\right)_t + d_4\left(\frac{INV}{k}\right)_t + d_5\left(\frac{DBTFLW}{NW}\right)_t + d_6\left(\frac{NI}{NW}\right)_t + d_7\left(\frac{DBTOUT}{NW}\right)_{t-1} + d_8\left(\frac{CA}{TNA}\right)_t + d_9\left(\frac{DPRCN}{GFA}\right)_{t-1} + d_{10}\left(\frac{TAX}{PBT}\right)_t \qquad (6)$$

where

D = Dividend payments;

RED = Retained earnings plus depreciation provision.

PAT = Profits after taxes;

I = Investment in gross fixed assets;

INV = Investment in inventories;

DBTFLW = Debt flow (Long term and short term)

NI = New issues (ordinary and preference shares).

$\left(\frac{DBTOUT}{NW}\right)$ = Debt outstanding to net worth ratio indicating (debt/equity) — financial risk (Risk Fn)

(CA/TNA) = Ratio of current assets to total net assets indicating liquidit (LQDTY) position.

(DPRCN/GFA) = Depreciation stock a a ratio of gross fixed assets indicating ag distribution (AGEDTN)

(TAX/PBT) = Tax provision as a ratio o profits before tax

k= Paid up capital;

NW = Net worth;

t = current period.

The dividend equation also follows Lintner's adjustment mechanism, therefore adjustment coefficient and desired long run dividend payout ratio may be estimated from the same equation.

source of data

The main source of our data are the financial statement of medium and large scale public limited companies published in the Reserve Bank of India Bulletin (1957, 1962, 1967, 1972, 1975). Eleven industries have been chosen together with aggregate corporate sector. These industries are sugar, tobacco, cotton textiles, iron and steel, chemicals, engineering, matches, cement, electricity generation and supply (EGS), trading and shipping. The observations relate to 24 years period (1950-51 to 1973-74).

The variables used in the analysis are generated from balance sheet and income expenditure accounts. Debt outstanding includes short-term and long-term debt whose first difference is debt flow. The gross internal funds (RED) are taken in place of returned earnings to show the internal funds availability. The negative effect of tax variable on RED implies the usual effect on retained earnings, whereas positive effect is also meaningful due to dominance of depreciation funds which enjoy tax advantage. (DBTOUT/NW) represents the capital structure and therefore is a measure of financial risk. Ratio of current assets to total net assets represents the liquidity position of the period which is likely to be a significant determinant of payout and retention policies. The negative effect is expected on internal funds position. Since the replacement of fixed assets depends upon gross internal funds, the age distribution happens to be a determinant of internal funds requirement.[7]

The variables have been deflated[8] by

TABLE I*

Dividend Equation: Dependent Variable (D/k)

Variables	Corporate sector	Sugar	Tobacco	Cotton textiles	Iron and steel	Chemicals
Constant	0·200	0·152	0·003	0.039	0.012	0.07
(PAT/k)	0.186	0.148	0·473	—	—	0·167
	(2·834)	(5.423)	(5.874)			(3·197)
$(D/k)_{-1}$	0·252	0.359	0·468	0.678	0.847	0.423
	(1.481)	(3·155)	(2.646)	(7·584)	(9.317)	(3.220)
(I/k)	—0.042	—	0.052	0.034	—0·023	0.019
	(—2.212)		(1.106)	(3.490)	(—2.191)	(1.030)
(INV/k)	0·026	—	—	—	—0·067	—
	(1.164)				(—1.757)	
(DBTFLW/NW)	—	—0.008	—0.078	—0·054	—	—0.051
		(—1.748)	(—1.818)	(—3.458)		(—1·848)
(NI/NW)	0.715	—	—	—	0.079	—
	(3.376)				(1·705)	
$(DBTOUT/NW)_{-1}$	—	—0.009	—0.054	—	—	—
		(—2.853)	(—3.778)			
(CA/TNA)	—0.005	—	—	—	—	—
	(—5.134)					
$(DPRCN/GFA)_{-1}$	0·344	—0.160	—	—	—0.018	—0·126
	(3.822)	(—3.426)			(—4.041)	(—2.336)
(TAX/PBT)	—0.070	—0.0003	—	—0.0002	—	—
	(—1.990)	(—1·680)		(—3.047)		
R^2, R^{-2}	0·96,0.93	0.91,0.87	0.89,0.85	0.88,0.85	0·93,0.90	0·96,0.94
DW	2·13	1.75	2.17	2·17	2.74	2·06

Variables	Engineering	Matches	Cement	EGS	Trading	Shipping
Constant	0.047	0.097	0.111	0.086	0.067	0.029
(PAT/k)	0·252	0·185	—	0.164	0.220	0·154
	(3.171)	(3·057)		(1.547)	(6·505)	(5·554)
$(D/k)_{-1}$	0.417	0.462	—	—	0.285	—
	(3.019)	(3·890)			(2.516)	—
(I/k)	—	—	—0·044	—	—	—
			(—2·605)			
(INV/k)	—	—	—	—0.188	—	—
				(—1·531)		
(DBTFLW/NW)	—0.033	—	0.040	—	—0·009	—
	(—1.644)		(1·773)		(—1.425)	
(NI/NW)	0·138	—	—	—	—0.077	—0.685
	(1.341)				(—1·125)	(—2.700)
$(DBTOUT/NW)_{-1}$	—	—	—	0·030	—0.033	—
				(1.996)	(—4·723)	
(CA/TNA)	—	—	—0.002	—0.002	—	0.0008
			(—2·629)	(—2.639)		(1.033)
$(DPRCN/GFA)_{-1}$	—	—0.112	0.188	—	0.144	—
		(—1.945)	(4·636)		(1.591)	
(TAX/PBT)	—0.0007	—	—0·0003	—	—	—0·0004
	(—1·443)		(—1.435)			(—1·356)
R^2, R^{-2}	0.88,0.86	0.82,0.79	0·69,0·57	0·76,0·69	0·96,0·94	0.90,0.88
DW	1·84	2.24	2·39	1.69	2.32	2.09

*The figures in parantheses are t-values.

TABLE II*

Internal Funds Equation: Dependent Variable (RED/NW)

Variables	Corporate sector	Sugar	Tobacco	Cotton textiles	Iron and steel	Chemicals
Constant	0.019	—0.03	0·046	0.037	0.011	—0.293
(PAT/k)	0.348	0.323	0·161	0.252	0.155	—
	(3·696)	(4.434)	(2·793)	(4.548)	(2·820)	
(RED/NW)$_{-1}$	—	—	—	—	0.233	0.190
					(1.407)	(2·120)
(I/k)	—0.049	0.155	0.180	0.274	—0.063	0.222
	(—1.135)	(4.757)	(4.934)	(9·719)	(—2·471)	(8.916)
(INV/k)	0·200	—	—	0·054	—0·091	—0.127
	(3.160)			(1·204	(—1·718)	(—2.566)
(DBTFLW/NW)	—0.088	—	—0·043	—0·119	0.139	—
	(2·340)		(—1·449)	(—2·234)	(2·635)	
(NI/NW)	—0.287	—0·804	—0.337	—0·382	—0·275	—0.601
	(—1·044)	(—1·343)	(—1.296)	(—1·034)	(—1·813)	(—3·653)
(DBTOUT/NW)$_{-1}$	0·042	0.032	0·027	0.042	0.103	0.122
	(5·645)	(3·449	(2.682)	(5·738)	(4·288)	(4·227)
(CA/TNA)	—	—	—	—0.006	—	0.005
				(—2.725)		(2.363)
(DPRCN/GFA)$_{-1}$	—	—	—	—0.817	—	—
				(—2.156)		
(TAX/PBT)	—	—	—0.0007	—0.005	—	—
	—	—	(—2.090)	(—2·485)		
R^2, R^{-2}	0·95,0.93	0.76,0·70	0.91,0·87	0.98,0·97	0.87,0.80	0.96,0.95
DW	2·53	2.53	2.83	1.97	1.70	1.58

Variables	Engineering	Matches	Cement	EGS	Trading	Shipping
Constant	—0.012	—0·190	0.061	0.032	—0·316	0.031
(PAT/k)	0.220	0.390	0.656	0.315	0.476	0.321
	(2.816)	(8.739)	(6.490	(4.900)	(13.012)	(1.987)
(RED/NW)$_{-1}$	—	—	—	—	—0.195	—0.225
					(—3.656)	—1.331
(I/k)	0.049	—	—	0·184	0.216	0·164
	(1.507)			(5 095)	(6.202)	(3.708)
(INV/k)	—	0.050	0.065	0.278	—	—
		(1.486)	(1.357)	(1.764)		
(DBTFLW/NW)	0.062	—	0.059	—0.127	—0.028	—0.293
	(1.841)		(1.284)	(—2·344)	(—2.920)	(—2.427)
(NI/NW)	—0.490	220.181	—0.339	—0.136	—	—1.547
	(—3·476)	(56.088)	(—3.913)	(—1.957)		(—1.378)
(DBTOUT/NW)$_{-1}$	0.038	0.118	0.071	—	0.007	—
	(4·541)	(2.914)	(1·357)		(2.462)	
(CA/TNA)	—	—0.0008	—	0.004	0.004	—
		(—1.868)		(1.812)	(4.581)	
(DPRCN/GFA)$_{-1}$	0.231	0.318	—0.343	—0.363	—0.010	—
	(2.403)	(4·281)	(—3.184)	(—1.245)	(—1.633)	
(TAX/PBT)	—0.001	—	0.001	—0·0004	—	0.002
	(—1.784)		(1·871)	(—1.383)		(1.255)
R^2, R^{-2}	0.93,0.89	0.99,0.99	0.91,0.86	0.91,0·86	0.97,0.95	0.78,0.67
DW	2.34	1.38	1.62	2·52	2.21	2.34

*The figures in parentheses are t-values.

paid up capital and net worth in order to correct for the changes in sample size over every five years. The profits, dividend and investment variables are deflated by paid up capital whereas financial variables—internal funds and external funds—are deflated by net worth.

The method of estimation used is ordinary Least Squares procedure. Stepwise option has been adopted to choose correct specification. Finally those variables appear in the equation whose t-value exceeds unity. Summary statistics R^2 R^{-2} and Durbin Watson have been employed to decide about the appropriate form of equation.[9]

other terms

In addition to the terms which give Lintners pure adjustment expression, other terms which appear in the dividend equation for corporate sector are Tax, Liquidity, NI, Inventory Investment, Investment in Fixed Assets and Age Distribution. Tax variable has its usual negative effect on dividend disbursements and therefore there appears a downward revision in long-run payout ratio.[10] The other terms indicate the favourable effect of dividend payments on equity market on which inventory financing has depended largely. Internal finance equation does not show any effect of the tax rate. The equation is quite appropriate for interpretation as implied by summary statistics (eee Tables I and II).

Out of eleven industries chosen, the distributed profits have been adversely affected by tax for five industries namely sugar, cotton textiles, engineering, cement and shipping. Though tea variable resulted in reduction of dividend payments, the equity market is favourably affected by new payout for engineering industry. Whereas for shipping industry new payout ratio has created favourable effect on equity market.

Taxation of corporate profits has reduced internal funds for tobacco, cotton textiles, engineering and EGS industries. Internal funds availability position seems to be improved for shipping and cement industries due to tax advantage of depreciation provision (a large component of internal funds). The main feature of internal funds equation is the appearance of PAT, Risk financial, Investment in fixed assets, Debtflow and New issues variables. The presence of these components has indicated the requirement[11] of internal funds, together with debt and equity capital, for financing of investment in fixed assets.

Both components of profits are affected by tax rate for cotton textiles, engineering, cement and shipping industries. Since the firms under cement and shipping industries have tried to improve their internal funds position, there have been substantial adverse effects upon dividend disbursements. The components of profit remain unaffected by corporate profit tax for iron and steel, chemicals, matches and trading industries. Taxation has influenced only internal funds position for tobacco and EGS, whereas only dividend policies have followed revision in sugar industry.

Whenever a tax is either partially shifted or not shifted, the effective incidence becomes more meaningful. Therefore, there exists a possibility of minimisation of 'index of frustration'[12] resulting from the substantial deviation of corporation income tax from a direct source of public revenue. The results of the aggregate corporate sector and most of industries under study have strengthened the belief that corporate income-tax is effective in changing the distribution of profits (capital structure). Therefore, corporate income taxation may be trusted as an instrument of tax policy for increasing public revenue and affecting private investment favourably.

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1. If any adjustment can be made in price and wages, it would be through rapid effects which are essentially short-run in nature. The short run analysis has been found more appropriate under various studies of shifting and incidence because of its concern with immediate effect of tax on economic activity. Ref. Krzyzaniak and Musgrave (5).

2. Although the concept of incidence has been found ambiguous and indeterminate in the literature, the effective incidence is still important due to its indication of the nature of the effect. Ref. Bhargava (1).

3. Business slack is included in the objective function of the firms because economic units try to protect their self-interests. Ref. Cauley & Sandler (2).

4. The use of profits after tax in place of profits before tax indicates the presumpt regarding the burden of corporation tax business profits. The inclusion of other equati —dividend and retained funds—supports fact.

5. Whenever tax burden falls on corpor profits, the payout and retention ratio are to adjusted because dividends and retained earni are the components of profit.

6. D^*t and $(RED)^*t$ are desired divide and retentions in the absence of taxes.

7. Since retained earnings and dividends byproducts of each other, the explanatory va ables in one equation may be included in other one also.

8. Ref. V.K. Sastry (13). Since dividends declared as a proportion of paid up capital a internal funds give rise to reserves on liabil part of balance sheet account, therefore dividen are deflated by paid-up capital and RED by worth. Because of this choice other variab have been deflated by suitable index.

9. Ref. Rao and Miller (11).

10. Long run payout ratio has declined fro 39 per cent to 25 per cent. The dividend equati has given a payout ratio (Dividend/profits aft tax) of 25 per cent, whereas in the study usi data for 1950-51 to 1970-71 this ratio was four to be 39 per cent. Ref. G.D. Misra (9).

11. Ref. G.D. Misra (9).

12. Ref. R. Musgrave (10, pp. 231).

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Management by objectives

G. C. Baveja

In his keynote address to the fourth seminar on Modern Management Concepts arranged by the National Productivity Council in New Delhi, Mr. G.C. Baveja, Addl. Secretary and Director General of the Bureau of Public Enterprises, has dilated on management by objectives, corporate plans and the management information system in the public sector. Here is the text of the keynote address.

THE PUBLIC sector in India has come to occupy a vital role in the emerging pattern of its planned development. The following growth rates are sufficient to highlight the importance of the public sector in the national economy:—

(i) The public sector investment has grown from 46 per cent of the total investment in the first Plan (1951-56) to 58 per cent in the fifth Plan (1974-79).

(ii) The share of the public sector in total employment in the organised sector has increased from 56 per cent in December 1961 to 67 per cent in December 1976. Out of 20.4 million persons employed in the organised sector in December 1976, 13.6 million were employed in the public sector.

(iii) The share of public sector in the net domestic product has increased from around 11 per cent in 1960-61 to 19 per cent in 1976-77.

growing importance

Although the above data are sufficient to confirm the growing importance of public sector in our national economy, it must be realised that the state has its own limitations and cannot undertake all the activities; nor is it desirable in the socio-economic conditions existing in India. Agriculture in this country, which provides the wherewithal for 70 per cent of the people directly or indirectly, is in private hands. Although the share of the public sector in providing employment in the organised sector is about two-thirds, the organised sector itself accounts for only about 10 per cent of the total employment. The unorganised sector accounting for the remaining 90 per cent of the employment is entirely in the private sector. Similarly, while the share of the public sector in the net domestic product has increased as mentioned above, 81 per cent of the net domestic product is still contributed by the private sector. Our economic and industrial policy should, therefore, assist, wherever feasible, to enlarge private activity for the common goal.

industrial policy

The mixed nature of our economy has been confirmed in the Industrial Policy Statement made by the minister of Industry in parliament on December 23, 1977. The statement also sets at rest all doubts and reservations regarding the role of the public sector. After recognising that the public sector in India has come of age, the statement clearly stipulates that there will be an expanding role for the public sector in several fields. The four areas of operation of the public sector, which have been particularly highlighted, are:

(a) Public sector will be the producer of important and strategic goods of basic nature.

(b) Public sector will provide a countervailing power to the growth of large houses and large enterprises in the private sector.

(c) The public sector will be used effectively as a stabilishing force for maintaining essential supplies and consequently help in stabilising prices for the consumer.

(d) The public sector will be charged with the responsibility of encouraging the development of a wide range of ancillary industries and contribute to the growth of decentralised production by making available its expertise in technology and management to small scale and cottage industry sectors.

Public sector referred to above is a wider term and includes central government, state governments, public sector enterprises, quasi-government institutions like universities and local bodies. Talking of public sector enterprises alone, their role has increased considerably during last 25 years. In April 1951, when planning process was started in India, apart from departmental commercial undertakings like railways and posts and telegraphs, there were only five central government enterprises with a total investment of Rs 29 crores. This number has shot up to more than 150 enterprises with a total investment of over Rs 11,000 crores as in April, 1977. Besides, there are more than 500 enterprises owned and controlled by the state governments.

This merely represents the quantitative magnitude of development and growth of public sector enterprises. What is more important is their spread, industry-wise region-wise, in sophistication of technologies, in size of employment etc. In terms of activities, public enterprises range from those producing basic materials and capital goods like steel, minerals and metals, petroleum, chemicals and pharmaceuticals, heavy engineering, medium and light engineering and transportation equipment, to consumer goods and agro-based enterprises. Besides these, we have a number of service enterprises engaged in trading, marketing, transportation, contracting, construction and consultancy activities. There are also financial institutions and the insurance group of enterprises.

complex management

With this wide range and scope of public enterprises, their management becomes a highly complex matter. In such a situation considerable attention has to be paid to various modern concepts of management. For limitation of time, I will try to highlight only a few important concepts viz, management by objectives, corporate planning and management information system, with particular reference to their applicability in public enterprises.

Management by objectives is a concept which has been in vogue in management development for some years. "Management by Objectives" has been developed with a view to helping all managers to improve their performance. A total MBO plan should take into account: (i) Preparation of key results analysis; (ii) Preparation of company objectives; and (iii) Organisational planning. Key results analysis proves whether the objectives are clear, whether there are gaps and whether the thinking is broad enough. Company objectives must take into consideration internal constraints and possibilities as well as external factors. Organisational planning seeks to review the organisational structure with the help of the questions like:

(a) Does the organisation provide for proper use of human resources?

(b) Is there an effective division of work to be done?

(c) Are responsibilities and objectives really understood?

(d) Is there a sound line of command?

(e) Is there provision for control and accountability?

(f) Is the structure working is good spirit? etc.

organisational goal

In an MBO plan, it is also necessary to have a proper dovetailing of the long range plan with the annual Plan. Better individual performance can be futile unless it is directed towards vital organisational goals. The Bureau of Public Enterprises had advised the various public enterprises as early as in 1970 to introduce MBO approach gradually. As already mentioned, management by objectives is a process which attempts to clearly demarcate areas of responsibility within an organisation and define the role, functions and job description of different levels and positions in the hierarchy. This exercise of clearly defining individual responsibility helps to hold each one answerable for his contribution to the achievement of the corporate objectives. Management by objectives becomes necessary as an organisation grows and more than one group, division or similar organisation have to coordinate their work. Identification of responsibility with the objectives requires delegation of powers commensurate with the assignment of responsibilities. The organisational structure and style of management have necessarily to be responsive to this type of managerial industrial relationship.

The concept of management by objectives cannot co-exist with an authoritarian organisation. In an authority-oriented management, responsibility is concentrated and the source of inspiration for planning and setting of objectives is centralised at the top. The rest of the organisation have only executive functions of an operational nature.

rigid system

Such a system is too mechanistic and rigid and cannot cope with changes. Where change is the order of the day the highly centralised management cannot cope with rapid changes, however sophisticated communication system it may evolve. The main reason for this is that the operational levels are not associated with the formulation of plans and objectives and hence they are not motivated by commitment. In this regard, public enterprises can take a lead in evolving a new culture where managements and workers have a close relationship of jointly performing a national task rather than one of conflicting interests. This calls for a change not only in the attitude of the entire organisation but in the attitude of individuals as well.

Corporate planning, as an effective management approach is of recent origin in public sector undertakings. The need for it has arisen because of the complexity of operations and inter-linkages that have thrown up problems of coordinated development essential for the system as a whole to function smoothly. In the earlier years, there was a heavy bias towards financial projections and budgeting. Planning was little more than extended budgetary exercise. Compulsions of changes in environment have indicated that it is necessary to undertake long-term planning at the enterprise level and that objectives and action programmes have to be developed to cover the long-term horizon. This is particularly relevant for public sector, since majority of public sector enterprises function in capital intensive and long gestation industries.

Corporate plans have the great advantage of concretising the concept of accountability in the public sector. I against the quantified targets in the c porate plans of individual enterprises th their actual performance can be assesse Such plans, whether they are high sophisticated or simple, are necessary bring a certain amount of clarity in t minds of managers regarding what th are expected to do. The government t has in this process, a yardstick by whic to measure the achievements of the ente prises. The legislature and the people al have a clear idea of the use to which t vast resources that are placed in the han of public enterprises are put to. They ca then make a proper and valid assessme of the contribution that the public ente prises are making towards national pr gress.

The role of Bureau of Public Enterprise has been one of a catalytic agent t ensure that managements in the publi sector are conscious of the need to unde take systematic planning since publi enterprises, operating in capital intensiv and high-technology areas, cannot affor to risk errors from *ad hoc* approaches.

corporate plans

The managements of public enterprises have been exhorted from time to time by the government to draw up corporate plans, depending on the nature of their operations for periods extending from five to 10 years in order to achieve better integration among the public enterprises themselves and also with the national plans. A survey has been conducted recently by the Bureau of Public Enterprises with a view to assessing the status of corporate planning functions in various public sector enterprises. A questionnaire designed to obtain detailed information was issued to 170 central government public enterprises. The survey has shown that out of 95 companies which responded, 35 companies have prepared corporate plans and have set up corporate planning cells while the remaining have not so far introduced the concept of corporate planning. Thus about one-third of the enterprises have prepared corporate plans. The plans prepared by all the enterprises are, however, not up to the mark. While some of the plans like those of the Bharat Heavy Electricals have been properly worked out, some other plans are merely an apology for corporate planning. A number of the plans do not even cover the manpower development and organisational development projections. This shows that although there is a growing awareness of corporate planning among the managers in the public sector, still a lot of effort is needed to make this concept widespread.

As regards the structure of the plans that have been drawn up by the public enterprises, the important parameters covered by the corporate plans are the planning horizon, the targets to be set, including financial planning, marketing, research and development, manpower planning and organisational planning. The planning horizon adopted by 19 of the responding companies is five years. The rest have a planning term ranging from three years as in the case of State Trading Corporation to 10 years as in the case of Coal India and 20 years as in the case of steel. In most companies, which have five years' planning horizon, the period more or less coincides with the five-year Plan period.

Corporate planning is not a once-for-all exercise. It is not merely necessary to prepare corporate plans but also it is equally important to review and up-date these regularly, normally every year, taking into account any new developments which have taken place during the course of the year. Even at national level, the concept of Rolling Plan has been adopted, in order to make the plans more realistic.

important feature

One important feature which distinguishes corporate plans in public sector from those in the private sector is that the management of public sector enterprises cannot operate merely on the principle of maximisation of profit or the rate of return as in the case of private enterprises. Public enterprises have to subserve the national objectives as laid down by the government. Their corporate plans have, therefore, to take note of the changing needs of the country and the government's policies. For instance, while drawing up their future corporate plans, managements will have to take into account government's current policy which lays stress on the development of agriculture and small-scale industries with a view to improving the total employment potential of the economy. They will have also to take into account the stipulation contained in the Industrial Policy Statement made recently by the minister of Industry in parliament that it will be the endeavour of government to operate public sector enterprises on profitable and efficient lines in order to ensure that investment in these industries pays an adequate return to society.

social objectives

Let me explain the social objectives or in other words the social responsibility of public enterprises in more explicit terms. We have put an impressive edifice of industrial structure in this country and many of our big industrial units have capabilities to compete in the international markets. They have grown on the western pattern of techno-economic structure. This development has now been questioned as to its relevance to our conditions. Our vast rural population with its poor purchasing power, large unemployment and a vast potential of unexploited resources in the agricultural sector point to the need for readjustment of our developmental strategy.

It is advocated that economic management should lay stress on development of small industries and those which are rural and agro-based. What we have built up in the past 25 years is no mean achievement. We do need the large scale industries to sustain our growth and economic development. But we must also realise at the same time that this is not the whole answer since our own experience shows that the backlog of unemployment has been increasing and per capita income is depressed due to low rate of production vis-a-vis population growth. The situation clearly demands acceleration of a system of production which is decentralised and spread throughout the country rather than concentrated on the principle of economic and financial viability based on large scale industrial production. To achieve this decentralised growth, the management of large industrial establishments particularly public enterprises have a significant role to play. This is a national and social responsibility which they have to recognise in our present day context.

It may be difficult to re-orient the attitude to production processes accustomed as we are and inspired by what has been achieved in developed countries. But our managers have to accept this challenge of adapting the industrial and other institutional structures to the new policies of decentralised production. Industries can help to generate intermediate products, to provide the basic raw material for small scale industries to further process them into consumer goods. Some industries can buy from the small and rural sectors semi-processed material needed for their sophisticated production. I am sure, if our managers accept the concept of social responsibility of the enterprises in today's context they will find that there are a large number of ways in which they can re-shape their activities for the benefit of the society.

management information

Another important aspect of management relates to designing of a management information system relevant to the various levels of management both in the enterprises and in the government. I have already referred to the need for corporate planning in public enterprises but this cannot be achieved without a strong base of information. It has been our experience that this aspect of management had been neglected in the earlier years. The government and also the boards were receiving far too many disaggregated reports and returns which had no organic relationship with each other and in their totality did not assist in a proper appraisal of the performance of the units.

The Bureau of Public Enterprises, therefore, analysed the needs of top managements for relevant information for monitoring and control purposes. On the recommendations of a working group, which went into this question, the public enterprises have been advised to adopt standard reporting practices based on a model of reports and formats, developed for the purpose. These have helped the undertakings and the ministries to generate useful information not only for performance appraisals, but also for observing the trends in performance.

I must, however, mention that it would be wrong to think that a uniform system of reporting and information can be adopted by all the enterprises. The size, the kind of operations, and the objects with which the enterprises have been set up vary widely. The primary purpose of an information system is to serve as a control, appraisal and directing mechanism. It is, therefore, obvious that the information system should be appropriate to the needs of each enterprise.

constant review

Moreover, an information system is only useful to the extent that it is constantly kept under review. For this purpose it would be advisable to institute a management information services cell or where the size of the enterprise is small, the work can be entrusted to only one officer. The main task of this cell or officer would be to be ensure that the existing system functions usefully and achieves the purpose for which it has been instituted.

I have briefly mentioned here the present status of the management by objectives, corporate plans and the management information system in the public sector, in order to provide some background. It is hoped that there will be greater awareness of the need for these management concepts and that as a result every enterprise will endeavour to adopt the various concepts as integral parts of its management functions.

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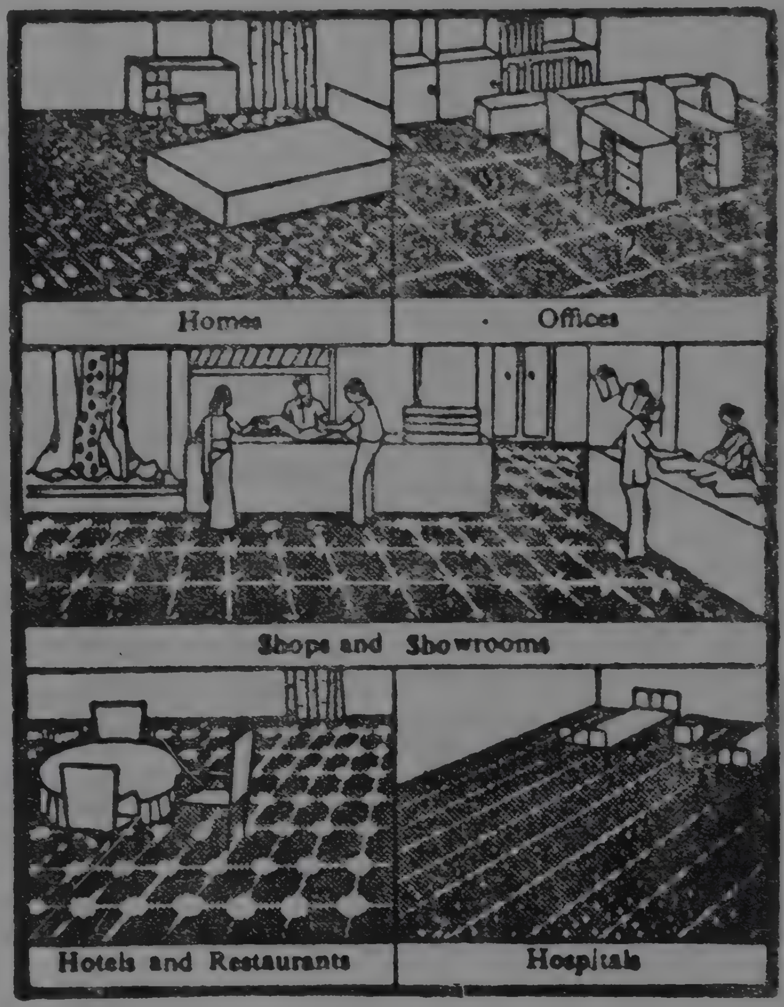

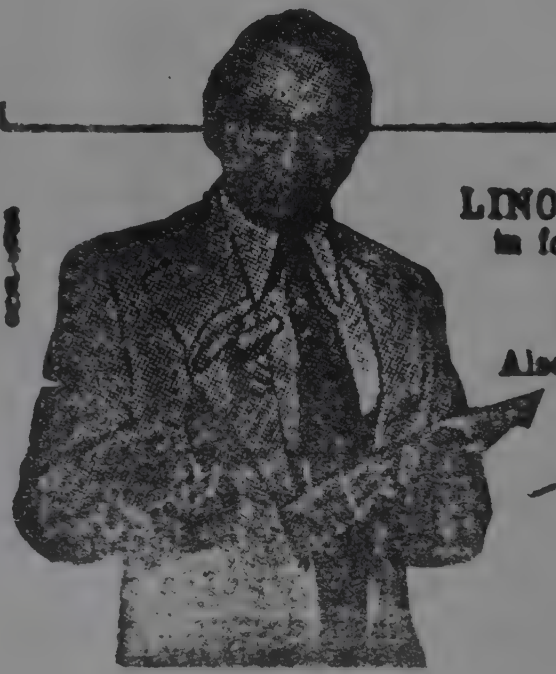

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WINDOW ON THE WORLD

Canadian development assistance to India

Canadian assistance to India is based on the historical belief of the two peoples that the Commonwealth of Nations would be a positive force for international peace and draw together those countries of diverse cultures which shared British colonial history. Since the inception of Colombo Plan, Canada has provided more bilateral aid to India than any other country except Britain and the USA, amounting to approximately six per cent of total development aid.

WITH INDIA'S achievement of independence, the new Indian government began to design a policy for national economic and social development. By 1951 agreement was reached with several countries to establish a programme of international economic cooperation to help implement that policy. The Colombo Plan was thus launched with India and Canada among the founding members. Under the Colombo Plan Canada and other countries agreed to provide technical advice and funds to help India organise and carry out projects designed to expand the economy and improve the living standards of the growing population.

Canada's interest in cooperation with India came partially from the personal association between prime minister Jawaharlal Nehru and the prime minister of Canada, Louis St. Laurent, who shared the hope that the new Commonwealth of Nations would be a positive force for international peace and draw together those countries of diverse cultures which had shared a British colonial history. It was recognised by Canadians that India, because of its size and importance to ending the colonial era, would play a key role in the new and free Commonwealth association. Such cooperation was also seen as a means of developing the economies of newly independent countries which was one of their vital new goals.

Canadians were prepared to support the government's initiative in extending economic cooperation to other countries for humanitarian and practical reasons. It was acknowledged that the level of affluence enjoyed in north America could be sustained only if the world at large were able to prosper. At the same time, as a nation increasingly dependent on world trade for its income, Canada was anxious to expand the range of its trade partners. In the ensuing years, as Canadian development experience grew, India's economic and developmental objectives were articulated more clearly and became increasingly important in the formulation of Canadian aid policy.

The stated objectives of Canadian assistance to India are to aid its economic and social development in accordance with Indian priorities and Canadian abilities and to lay the basis for continuing economic and commercial relations between the two countries in a manner which will be mutually beneficial.

The means chosen to achieve these objectives changed as India's capabilities advanced. In the early years, Canadian technical assistance provided Canadian experts and advisers to India and research facilities and training in Canada for Indian technicians and students. Canadian and Indian private voluntary agencies were financially assisted by Canada in carrying out their programmes in India. Large-scale projects were undertaken involving Canadian expertise, material and equipment for construction of new facilities in India such as communications systems and electrical generating plants. Canadian experience was most useful in transport, mining, agriculture and irrigation. Industrial commodities were provided as balance of payments support including minerals, synthetic rubber, fertilizer, newsprint and asbestos.

low cost financing

Lines of credit provided low cost financing so that India could buy Canadian equipment, materials and services including electrical generating equipment, transmission line equipment, railway locomotives and the services of technical consultants. The largest contribution was for food aid including wheat, edible oils and milk powder to help fill the gap between Indian domestic production and consumption in bad crop years.

Since the inception of the Colombo Plan, Canada has provided more bilateral aid to India than any country other than Britain and the USA amounting to approximately six per cent of total development aid received from all sources. Although over the years many countries have joined in providing economic assistance to India, even within the last six years, Canada has remained the fourth largest source of aid to India in terms of net aid flows, that is, when allowing for

India's payments of interest and principal on loans. Roughly a quarter of all Canada's bilateral aid has been allocated to India and it remains today, one of the major recipients of Canadian aid in terms of its share of total bilateral and multiateral aid provided by Canada each year. Moreover, Canadian aid has been provided under terms which are among the most concessional offered by donor countries.

soft loans

During the period 1951 to the end of March 1977 Canada provided a total of almost $1.5 billion in bilateral development assistance to India. Nearly two-thirds of this amount or $900 million was provided as grant assistance. The remaining one-third or $600 million was provided in the form of development loans. In the early years interest on these loans varied from three to six per cent and repayment was required within 25 years. For the past decade Canadian development assistance loans have been interest-free with repayments to begin 10 years after the initial loan and completed within 50 years. In theory these "soft loans" are for projects which will generate sufficient revenue to pay off the loans within fifty years and cover equipment replacement costs without imposing difficult debt servicing obligations on the government of India.

In addition to this bilateral or direct aid to India, Canada has been a regular contributor to the World Bank and its International Development Agency, the United Nations Development Programme and other UN funds providing assistance to India.

During the early years, Canadian bilateral aid to India was provided on condition that equipment, goods and services would be bought from Canada. Indeed, Canadian taxpayers and businessmen supported the government's programme to direct Canadian resources to the developing countries at least partially because the funds were used to buy Canadian goods and services and much of this support continues to rest upon the same base.

However, there has been growing international recognition that developing countries need flexible financing and that "tied aid" may add to the cost of projects without generating higher economic returns. Moreover, where assistance is "tied" the limited foreign exchange component of projects in high priority sectors such as agriculture and rural development may preclude substantial involvement in these sectors. Accordingly, the government of Canada decided, in 1970, to introduce unilaterally provisions under which the costs of shipping of all goods provided under the development assistance programme and up to 20 per cent of total bilateral allocations would be made available on a completely untied basis. The allocation of these untied funds for local cost expenditures or for purchases elsewhere than in Canada depends upon the priority assigned to individual projects, and on occasions Canada provides, within this overall authority, untied funds in excess of 20 per cent of the total cost of a project.

Canada has also over the years responded to the international awareness that the unprecedented needs of the developing countries requires a steadily increasing flow of resources on a concessional basis. In 1970, the government of Canada announced its intention to increase the amount of funds allocated to international development assistance over the coming years and in 1975, reaffirmed Canada's determination to achieve the official United Nations' target of 0.7 per cent of GNP. (The famous one per cent targe of UNCTAD refers to combined officia development assistance and private capita flows and has been exceeded by Canada) Among the industrialised countries tha provide funds for international development cooperation, Canada provides th fifth largest flow of official developmen assistance. This amounted to $963 millio in 1976-77 and for the current year Canada has authorised an aid programm of $1.1 billion.

Of this, over half is channelled through bilateral (country-to-country) programmes with Asia the major region of concentration. Approximately 40 per cent was given through multilateral agencies last year, where once again Asia is estimated to receive the major portion of total funds allocated by these agencies. The balance of Canada's overseas development funds were devoted to special programmes. Of these, the International Development Research Centre, based in Ottawa but with an international board of governors, received $30 million to sponsor research into the particular problems of developing countries. Another $38 million was provided via the non-governmental organisations programme to augment the private resources for development raised by Canada's voluntary agencies.

Canadian Development Assistance Policy was restated in 1975 with the publication

TABLE I

Canadian Bilateral Assistance to India during 1951-1976-77—Disbursements

(Canadian $ million)

Fiscal years	Grants	Food aid (grants)	Loans	Total
1951 to 1960	116.9	80.0	—	196.9
1960 to 1965	89.7	31.0	—	120.7
Sub-Total	**206.6**	**111.0**	—	**317.6**
1965/66	16.1	25.0	—	41.1
1966/67	18.3	76.6	1.6	96.5
1961/68	6.6	50.4	15.4	72.4
1968/69	6.8	41.2	26.0	74.0
1969/70	6.1	38.8	44.7	89.6
1970/71	6.0	45.9	51.3	103.2
1971/72	2.2	40.1	59.2	101.5
1972/73	3.3	13.7	61.3	78.3
1973/74	4.0	8.3	57.1	69.4
1974/75	2.6	38.9	54.9	96.4
1975/76	1.9	64.6	32.4	98.9
1976/77	1.3	62.0	18.6	81.9
Total	**281.8**	**616.5**	**422.5**	**1320.8**

Source: Canadian International Development Agency by the Canadian government of a new policy paper entitled "Strategy for International Development Cooperation, 1975-80". The strategy sets out the following principles for future Canadian development assistance policy:

(i) Aid is to be focussed on major developmental problems with priority given to the poorest countries and to the poorest people within these countries;

(ii) Encouragement is to be given to programmes which promote regional economic and developmental cooperation and integration;

(iii) Canadian aid is to be more responsive to the priorities set by the developing countries, more flexible in application, and less tied to procurement in Canada; and

(iv) The terms and conditions of Canadian aid are to remain highly concessional in order to minimise the debt servicing burden of the developing countries.

efficient user

In re-examining its aid policy towards a developing country the Canadian government will carefully weigh the changing circumstances of the country and the implications of the Canadian Strategy for International Development. India remains one of the world's poorest countries in terms of per capita income and one of those most seriously affected by increased costs of petroleum. It has inadequate domestic savings and a high ratio of debt servicing to foreign exchange earnings. Despite economic gains which include improvement in export performance, growth in foreign exchange reserves, improved use of existing industrial capacity and bumper food crops, India still meets the criteria normally used in determining eligibility for Canadian development assistance. It has been argued that India is now a more efficient user of investible resources from both domestic and foreign sources than has been the case for some time. It is this conclusion which has prompted donor organisations such as the World Bank and bilateral donors to maintain or increase their allocations to India in recent years. India's request that its recent success in building up its foreign exchange reserves do not obviate its continuing need for external resources was strongly supported by Canada at the July 1977 meeting of the Aid-India Consortium and a record level of over US$ 2 billion was pledged for 1977-78 by the Consortium as a whole.

It is noteworthy that not only is India the largest of developing countries but also the most complex in terms of resources, population and potential. India is very different from most developing countries.

In the first place it is a sub-continent of many cultural groups. Socially and culturally the Kashmiri craftsman has little in common with the Tamil plantation worker. The fisherman of Goa and the Bengali merchant differ in ethnic origin, religion, language, culture and diet. These social differences have important developmental consequences.

Second, the economy is dualistic in the sense that it has technologically advanced and complex industries requiring large budgets for research and development located in modern urban settings, while members of hill tribes live a life which has changed little in many generations. Modern sterile dairy plants operate in some rural districts while in others agricultural modernisation consists of putting a steel tip on a wooden plow.

Third, the educational system remains oriented towards the needs of the urban middle class despite efforts by union and state governments. Recent changes in the structure of the educational system will take several years to be effective and will have little effect on the 70 per cent of the population which is illiterate. The number of colleges and universities continues to grow but only three per cent of graduates at the first degree level are able to find employment in their field of study.

Fourth, India is different in its sheer scale. With less than one-fortieth of the world's total land area it has 15 per cent of the world's population. Its population of over 610 million is increasing at a current rate of 13 million every year which means that in 25 years there will be 900 million people seeking a livelihood. Eighty per cent of India's population lives in the rural areas and is dependent on agriculture, yet India has the tenth largest industrial economy in the world.

These statistics illustrate the complexity and uniqueness of India as a developing country. They provide some insight into the context in which development must take place.

India is also unique in the degree to which national development expendi-

TABLE II

Canada-India Net Aid Transfers during 1966-67 to 1976-77

(US $ millions)

Fiscal years	Gross disbursements	Debt service	Net transfer	Larger net bilateral aid donors
1966/67	106.9	5.6	101.3	USA (749.9)
1967/68	86.1	6.0	80.1	USA (747.6)
1968/69	94.9	6.1	88.8	USA (430.3) (Italy (111.9)
1969/70	78.0	7.1	70.9	USA (401.1)
1970/71	107.1	6.3	100.8	USA (354.6)
1971/72	110.5	7.4	103.1	USA (271.4)
1972/73	91.1	11.1	80.0	UK (101.4)
1973/74	89.1	15.6	73.5	USSR (135.9) UK (105.3)
1974/75	96 4	13.6	82.8	Iran/Iraq (230) USSR (115.7) UK (93.9)
1975/76	99.7	14.8	84.9	Iran, Iraq and other OPEC countries (467.0) UK (103.3)
1976/77	80.8	14.9	65.9	Iran (183.9) UK (149.9)

Source : IBRD

ures are financed from internal resources. Many developing countries depend on oreign aid for 50 or even 60 per cent of their development spending. Outside financing accounts for only 15 per cent of India's development budget. So, despite the fact that 40 per cent of aid from all multilateral agencies comes to India and despite the fact that India receives the largest portion of the aid provided by Canada, all of the aid received constitutes less than one-sixth of the amount India herself raises through taxation and spends on development. Canadian aid to India has represented about one per cent of India's total development budget, while 85 per cent of India's development budget is financed by the Indian people. Of course, while the actual amount has been small compared to India's needs concentration of Canada's aid in a few sectors where shortages of foreign exchange were the key constraint to progress.

India is also noteworthy among developing countries for being both a recipient and a significant donor to other less developed countries. India is the largest bilateral source of foreign aid to Nepal, providing capital and technical assistance greater than the United States, Britain or China over the past ten years. Other countries receiving foreign aid from India include Malaysia, Mauritius, Tanzania and Kenya.

gigantic needs

Despite the ability to raise substantial domestic resources for development and to assist other countries in implementing their own development plans, the needs of India are of such a scale that the continued inflow of outside financing is necessary if India's development goals are to be achieved. The World Bank, the United Nations specialised agencies and bilateral donors from the socialist countries, the western industrialised states and the petroleum producing countries all contribute loans, grants or credits to assist particular sectors of Indian development programmes.

The process by which a given project or programme is approved for Canadian funding begins with discussions between officials of the Canadian High Commission and the union government of India. Following exploratory talks the Indian government submits to the high commission a request for support of specific projects or programmes which are given priority by the Indian Planning Commission and fall in those areas where Canadian assistance is available. Canadian staff of the Development Assistance Section of the High Commission then visit the site of the proposed project, discuss it with the officials concerned and undertake a project appraisal in accordance with guidelines established by the Canadian International Development Agency. The Canadian High Commisston then makes a recommendation to CIDA headquarters in Ottawa where the proposal is examined. Approval is then sought from senior CIDA management and from the secretary of state for External Affairs. When the Canadian minister has authorised the expenditure of fund, the project is then implemented, either by CIDA directly or by hiring an agency, company or consultant firm to execute it.

a misconception

A misconception is sometimes found that Canadian developmental assistance to India was suspended in 1974 as a result of the differences between the Canadian and Indian governments over the interpretation of their cooperation agreements for the peaceful uses of nuclear energy following India's nuclear explosion of May 1974. Disbursements of Canadian aid in fact continued to all non-nuclear projects in India to which Canada was committed and remained at a high level. Disbursements between 1974-75 and 1976-77 averaged close to $90 million per year. Last year, the programme which focussed on foodgrains, edible oils, fertilizers, and small agricultural projects, plus contributions to non-governmental voluntary organisations, declined somewhat to $81.8 million.

At the meeting of the Aid India Consortium in July, 1977, Canada reaffirmed its desire to provide development assistance to India. Canada noted the high priority assigned by the government of India to rapid development of the agricultural and rural sector, as a means of increasing food production and alleviating rural unemployment and undertook to support this policy by focussing its development assistance programme o the financing of new agricultural an agriculturally related projects.

Canada announced its intention to mak available to India assistance at approximately the level of the last three years despite the fact that foodgrain import which had figured so prominently in recen years' programmes, would not be require by India as far as could then be foreseen.

During the balance of 1977-78, discussions between officials of the government of India and the Canadian High Commission are expected to lead t identification of feasible agricultural projects suitable for Canadian financing.

common goals

In general terms the Indian government's expressed intention to give priority to increasing productivity and employment in the rural sector meshes well with Canada's Strategy for International Development. India's expressed preference for multilateral aid and Canad's decision to untie a significant percentage of bilateral aid may provide opportunities for joint funding arrangements between Canada, international agencies and India. It seems apparent that opportunities exist for effective economic cooperation of an imaginative and mutually beneficial kind. The task facing Canada is to design a programme which will retain the support Canadians have traditionally given to overseas development while responding to the development priorities and the need for concessional financing and untied aid enunciated by the Indian government in recent policy statements.

Agreement is relatively easy on the overall goal of better economic and social conditions for all. In its Strategy for International Development Canada has outlined a policy to achieve that goal which is broadly compatible with the development policy of India. The more difficult task is to transform that policy into concrete programmes and projects which will efficiently match Canadian capabilities with Indian needs. If that can be done our economic cooperation will be advantageous to both India and Canada.

Courtesy : Development Assistance Section, Canadian High Commission, New Delhi.

MOVING FINGER

xcept on those rare ccasions when the people themselves ke over, as they did during the Lok abha election last year, it is the organiation that counts in the winning of the attle of the ballot. The Janata party ppears to be particularly weak on orgaisation in its current election campaign. f it scores any big success anywhere, it ill only be because the opposition is plit. Even so its chances are not rated igh either in Assam or Andhra Pradesh. ts prospects appear to be somewhat brigher in Karnataka and to a less extent in Maharashtra. On present showing, however, no party seems to be heading for an absolute majority in any of the states going to the polls. Even in Karnataka, Janata prospects seem to have suffered lately. Mrs Indira Gandhi is probably hoping to pull it off in Andhra Pradesh and perhaps Assam, but she is likely to be disappointed. However any reasonable show of strength anywhere by her party should demoralise further the Reddy-Chavan crowd. The main beneficiary will be the Janata party, but Mrs Gandhi should also be able to make some gains.

The Janata party, it is being said, cannot afford to lose in these elections, since failure would mean that it will continue to be regarded as less than a national party. But, even if this party succeeds in the elections, this will not necessarily mean that the south has emotionally accepted it. The brute fact is that there is neither genuine Janata leadership nor effective Janata organisation in the politics of the southern states and it will certainly take this party a fairly long period of hard work to become a credible part of public life and public affairs south of the Vindhyas.

Meanwhile it will be no great tragedy if some more states are to be ruled by parties other than the Janata. On the contrary, it will be on the whole a gain to the country if no single political party, especially not the one which is ruling at the centre, is in power in a large number of states. Experience has shown that the kind of hegemony which the old Congress was enjoying was the largest single cause of the dilution of federalism in government and the emergence of authoritarianism in national politics. It is absolutely necessary that there should be checks and balances in the play of party politics if parliamentary democracy, within a federal framework, is to have a chance. The public could therefore afford to view these elections or their probable results with a certain degree of equanimity. Whatever else is at stake, the unity of the country or the legitimate cause of a strong centre is not.

The president, Mr Sanjiva Reddy, has declared that he has no faith in the doctrine of "Barefoot Doctors". There is obviously an advantage in sending our VIPs, when they fall ill, to advanced medical facilities abroad—even at the tax-payer's expense. In fairness to Mr Reddy, however, it must be recalled that, early in his political career, he had held charge of the Health portfolio in Andhra Pradesh. He is therefore naturally knowledgeable about public health problems. Most of us will share his feeling that, when there is so much unemployment among doctors, there should surely be some means of deploying fairly large numbers of them in the rural areas with a view to providing at least minimum medical facilities to the village communities.

It is unfortunate that the central Health ministry, under the tutelage of Mr Raj Narain, should be so indifferent to its responsibilities in this respect. Crores of rupees of public funds are to be poured down the drain in the name of a fanciful, if not fantastic, scheme of taking health care to the villages on the cheap, but no attention is being given to the framing of sensible programmes for utilising properly the available personnel trained in modern medicine at considerable cost to the community.

Mr Sanjiva Reddy has also spoken sensibly on the proper place of postgraduate courses in medical education. It is indeed very necessary that a balance should be maintained in apportioning public expenditure or other resources between the expansion of advanced medical education and the sufficient growth of basic or general medical education and training so that the public may count on an adequacy of the services of medical practitioners with the education and experience needed for dealing with the normal and regular medical needs of the population, such as proper medical attendance at child birth, treatment for the diseases and illnesses of infancy and the more common medical and surgical emergencies. It is only when medical education of this description has been properly provided for that it is possible to implement effectively a truly countrywide programme for the delivery of health care to all sections of the community. The priorities in medical education and training are another area where the central Health ministry could undertake some purposeful exploration.

For no particular reason, I would like to round off by reproducing part of a recent newspaper advertisement:

> **"News for Auto-Urine lovers**
>
> Jagdish B., Auto-Urine Therapist, requests persons interested in Auto-Urine Therapy to contact or write to him at the address given below to enable him to convene a meeting with a view to forming an All-India Auto-Urine Therapy Association for the benefit of masses".

Those who are interested in Jagdish B's address may refer to page 5 of *The Statesman* of February 17 (Delhi edition).

VB

TRADE WINDS

Sydney Conference

THE PRIME minister, Mr Morarji Desai, attended the Sydney meeting of Commonwealth heads of governments from Asia and Pacific region, which began on February 13. The heads of government from Commonwealth countries in Asia and the Pacific expressed concern over rising protectionism in industrialised countries and called for a substantial liberalisation of the international trading system.

In a joint communique at the end of their four-day regional summit conference the leaders stressed the importance of greater access for agricultural products to the major consumer markets. The heads of government expressed their concern over rising protectionism in the industrialised countries against manufactured goods, which countries of the region were well equipped to supply.

They were also concerned over the damaging effects of tariff and other barriers in trade in agricultural products which were of major importance to the region. They urged key industrialised countries to take the lead in giving effect to their often repeated undertaking to liberalise speedily the conditions of world trade. The leaders called on the European Economic Community (EEC) to devise appropriate solutions to trading problems of Asian developing countries which had arisen as a result of the enlargement of the European Community from Six to Nine.

In urging all countries in the region to promote greater intra-regional trade directly, they proposed that consideration should also be given, where application for long term preferential purchases of materials, essential commodities and manufactures from countries in the region. Australia and New Zealand, the only two developed Commonwealth nations in the Asia-Pacific region, were requested to accord special preferences to goods from their Commonwealth partners in the area.

Closer Cooperation

The conference also agreed to establish another consultative group on trade to examine measures to facilitate travel within the region, to improve communications and reduce the cost of intra-regional transportation of goods, to simplify procedures for intra-regional trade to reduce non-tariff barriers and to facilitate trade within the region.

Among the positive gains of the Sydney conference, apart from recognition of common dangers the participants faced and the need to face them concertedly, were the decisions to put in motion follow-up action to various conclusions. With this in view the conference set up four consultative or working groups to deal with problems such as trade liberalisation, energy, action against terrorism and problems of trafficking in illicit drugs. It was Mr Fraser who awakened the heads of government to the new danger of drug addiction among the younger people in the region, which, he pointed out, besides being a health hazard could be as pernicious as growing population to the growth of developing countries.

Changes in Provident Fund Scheme

The benefit of advances from provident fund is proposed to be extended for the marriage of a member's dependent sister or brother and also a member's own marriage. At present a member can draw an advance only for the marriage of his daughter. The new facilities have been recommended by the Central Board of Trustees, Employees' Provident Fund. It recommended more liberal advances in various cases. Members affected by natural calamities will be allowed to draw Rs 500 as advance instead of the present Rs 300. The board also recommended fund advances to workers who do not get their salaries for more than two months even though their establishments have not declared a lock-out or have closed down. At present such advances are permitted only in cases of closures and lock-out.

Interest Rate Raised

The board further recommended a higher rate of interest at 8.5 per cent per annum to the subscribers for credit to their accounts for the year 1978-79 as against eight per cent for the previous year. This is being done to mark the silver jubilee year of the Employees Provident Fund Organisation. The trustees were not happy with the present pattern of investment and decided to meet the Finance minister and urge him to liberalise the scheme. It was felt that the pattern should be so revised as to result in a yi
equal to bank deposit ra
if not more. With a view
affording better and on
spot facilities to the subscr
ers the organisation will o
eight more sub-regional offi
at Guntur, Visakhapatna
Raipur, Asansol, Rajk
Amritsar, Ranchi and Varana
The board also decided
purchase additional land in
few more regions for bui
ing of staff quarters.

Committee on Controls

In pursuance of its poli
to rid the economy of unnece
sary shackles, the ministry
Finance set up recently
high-level committee under t
chairmanship of Mr Vadil
Dagli, editor of Commerce,
evaluate and review the syste
of controls on prices, produ
tion, distribution, licence
imports and grant of subsidie
The other members of the com
mittee are, Mr Era Chezhia
Mr Bagaram Tulpule, Mr
C. Jain and Mr Sanjoy Se
The secretary to the committe
is expected to be appointe
shortly.

The committee is envisage
to make its recommendation
within six months. Its term
of reference are:

(i) Has the system of cont
rol on prices, production, dis
tribution, licences and import
been an effective instrument fo
national planning and guid
ance of the national economy

(ii) What has been the ex
perience in the past of th
operation and management o
all types of controls and hav
the pre-determined objective
actually been realised?

(iii) In which areas of th
economy have the control
been successful and henc
deserve continuance with o
without modification?

(iv) In which areas hav

ie controls been ineffective or ave since become irrelevant nd hence deserve to be removed?

(v) In what manner is the ystem of controls connected o the system of subsidisation n the national economy? Are uch subsidies justifiable and vill it be possible to moderate r eliminate the system of subsidisation by suitable modications in the system of contols?

ndo-Pakistan Trade

The forthcoming trade eview between India and akistan promises to be a deep nd comprehensive one. The eview is likely to take place hortly in Islamabad. The xternal Affairs minister. Mr tal Behari Vajpayee, stated at is press conference recently hat both sides had recognised hat the trade should and could row in a balanced manner to nutual advantage and not to arm the economy of the ther. He said that the trade eams of the two sides would tudy the possible pattern of rade.

Exports to Pakistan during uly-December, 1977, amounted to Rs 27.61 crores while mports from that country were alued at Rs 19.13 crores, thus esulting in an imbalance of s 8.48 crores. Exports to akistan during January-June, 977, amounted to Rs 9.83 rores as against imports from akistan valued at Rs 8 lakhs. akistan is importing quite a umber of items from India, which during July-December, 977 were: tea valued at s 7.25 crores, steel Rs 3.46 rores, wood and timber s 3.35 crores, transmission ubber belts Rs 2.16 crores, ement Rs 1.78 crores and etel-leaf Rs 1.18 crores. Pakistan exports to India mainly consist of residual fuel oil worth Rs 14.58 crores and naphtha Rs 4.52 crores during the same period.

RBI Directive on Bank Advances

Commercial banks have been told by the Reserve Bank to obtain from their large borrowers their balance sheets and profit and loss accounts every half year, within two months from the close of the half year. The Reserve Bank, in consultation with the Committee of Direction, has drawn up the format of the proforma balance which the commercial banks are required to obtain from their large borrowers. It may be recalled that the RBI study group on follow-up of bank credit, popularly known as Tandon Committee, had asked banks to take effective steps to introduce as part of the information system and use it as an additional tool in the follow-up of bank credit. The committee had recommended that borrowers with aggregate credit limit of Rs 1 crore and above from the banking system should be asked to submit the half-yearly proforma balance sheet and profit and loss account. In the case of mult-unit companies, the half-yearly proforma accounts have to reflect the position of the company as a whole.

Gujarat State Financial Corporation

The Gujarat State Financial Corporation has sanctioned assistance amounting to Rs 100 lakhs to 18 units. The units assisted include seven units proposed to be set up in the backward districts. The assistance to these units amounts to Rs 37 lakhs. The corporation has also sanctioned special capital of Rs 1.60 lakhs to a unit at concessional rate of one per cent. Another unit was also sanctioned IBRD foreign exchange loans of Rs 15.17 lakhs. The units assisted include those to be engaged in engineering, textile processing, paper, khandsari and sugar manufacturing, ceramics, printing, packaging and mineral based industries. It was expected that the total project cost of these 18 units would be about Rs 327 lakhs and these units would create fixed assets of Rs 140 lakhs. The turnover of these units, when commissioned, would exceed Rs 656 lakhs.

Rural Enterprise and Nonfarm Employment

Creating employment opportunities for many of the world's poorest people is discussed in a paper, *Rural Enterprise and Nonfarm Employment*, recently published by the World Bank. The paper is a further contribution to the studies on questions of rural development, that is to say, on how to alleviate abject poverty and distribute the benefits of growth to the poorest groups of the world's inhabitants, the majority of whom live in rural areas. Most rural nonfarm activities, the paper points out, are small-scale enterprises engaged in construction, services, commerce, transport, food and crop processing and small-scale manufacturing. They are a primary source of earnings for a large proportion of the poorest groups—those with little or no productive agricultural land, tenants and the landless. They are also an important source of secondary earnings in the slack season for the agricultural labour force, including small farmers.

In Africa, two-thirds of all nonfarm employment (rural as well as urban) is accounted for by rural nonfarm activities; in Asia, this is over half; and in Latin America, more than one-third. Growing numbers of people in the rural labour force are seeking nonfarm work, partly because of the slow growth of employment in agriculture and partly because of the increasing division of labour in rural areas between farm and nonfarm work.

The rural development sector is the most rapidly growing sector of bank lending. Rural development includes projects for infrastructure (electricity, water, roads, health and education facilities) and agro-industrial and marketing projects, the latter catering mainly to large enterprises. The impact of this lending on nonfarm activities, though mainly indirect, is considerable. As the number of small farms increases and rural incomes grow, nonfarm activities supply inputs and services essential for the output and modernisation of agriculture and provide for the nonfood needs of the rural population.

Mini Cement Plants

The government has decided to exempt mini-cement plants from the purview of the cement control order of 1967 and also to extend to them the existing 25 per cent excise duty rebate. This follows the government's policy to encourage the growth of mini-cement plants in the country in the shortest possible time, so as to narrow down the existing demand-supply gap in the domestic markets. The decision to exempt the mini cement plants from the 1967 cement control order is expected to benefit prospective entrepreneurs to the extent of the average freight in the f.o.b. destination price of cement marketed by the larger cement plants, which are subject to the control order.

The Cement Research Institute has identified 43 potential sites in 19 states for the establishment of mini cement plants. The institute has also taken up the preparation of detailed project reports for the establishment of two mini cement plants—one at Nimi in Nagaland and the other in Rajasthan. While the possible sites for the setting up of mini cement plants have already been worked out, the government had yet to decide upon the right technology for the establishment of such plants.

Government has presently three sources of mini cement plant technologies under its consideration. These include i) the process developed by the Cement Research Institute, ii) the process developed by the Regional Research Laboratory, Jorhat, and iii) the technology under development in West Germany.

Trade Agreement with Chile

A trade agreement signed almost six years ago between India and Chile went into effect recently with the publication of its text in the official gazette. The agreement, which provides for facilities in trade, shipping and the exchange of specialised information between the two countries, was signed in April 1972 during the government of the late President Salvador Allende. But it only became legally effective with its publication after it was ratified by the military government which came to power in September, 1973. Under the agreement Chile will export to India mineral ore metals including copper, automobile parts, newsprint, paper, pulp, chemical products, fishing trawlers, wool and fruit. India's export to Chile will include textiles, tea, railway and engineering equipment, building materials and precision instruments. Merchant vessels of either country will be granted the most favoured conditions. The agreement also provides for an exchange of information of development plans, foreign trade regulations and suggestions to increase bilateral trade.

Civil Contract from Iraq

Bridge and Roof Co (I) Limited has won $ 6 million civil works contract in Iraq. A constituent of the Indo-Burmah Petroleum and Balmer Lawrie group of companies, Bridge and Roof Co. has bagged the order for civil works for purification and treatment plant of the sewerage project of the twin holy cities of Najaf-Kufa against global competition. Apart from the civil works contract, Bridge and Roof has also been entrusted with coordination of the entire project involving supervision of mechanical and electrical works by the sub-contractors, Esmil International of Holland.

Bank of Baroda in Oman

Bank of Baroda's second branch in the Sultanate of Oman commenced functioning on February 16. This branch at Ruwi will conduct all banking business. Sayyid Sultan Bin Hamud Bin Faisal, member of the royal family and head of Tribal Affairs in the ministry of Diwan Affairs of the Sultanate, inaugurated the branch. The first branch in the Sultanate was opened at Mutrah near Muscat a couple of years ago.

One of the leading nationalised banks, Bank of Baroda has 47 overseas branches, spread over eight countries, the UK, Belgium, Kenya, Mauritius, Guyana, Fiji, UAE and Sultanate of Oman. The bank has a network of over 1200 branches in India.

World Bank Loan for Industrial Sector

The World Bank announced on January 23, the approval of a loan of $ 25 million to assist industrial development in India in the state-sponsored public and joint sector. The loan, to be channelled through the Industrial Development Bank of India (IDBI)—a development finance institution —will meet the foreign exchange cost of investments in productive medium-scale industrial enterprises.

IDBI is the largest single institutional source of industrial finance in India, accounting for approximately five per cent of the annual industrial investment. It is also responsible for coordinating industrial investment activities of other industrial finance institutions. The bank loan will assist IDBI in carrying out industrial sector investment studies and in strengthening industrial finance institutions in various states. It will also enable IDBI to promote projects particularly in the less developed states in India. A major benefit will be the pooling of private and public capital and in establishing close working links between public and private sector partners. T
loan complements previ
operations of the Bank in s
port of the Industrial Cre
and Investment Corporation
India and, through IDBI,
State Financial Corporation

The Bank loan to India v
carry interest at the rate
7.45 per cent per annum. It v
be for a maximum of 17 yea
including three years of gra
to be adjusted according to
amortization schedule of su
projects. The government v
relend the proceeds to ID
on the same terms.

Definition of Mediun Scale Industry

National Alliance of You
Entrepreneurs (NAYE) h
in a memorandum request
the ministry of Indust
Reserve Bank of Ind
Industrial Development Ba
of India, Industrial Credit a
Investment Corporation
India, Industrial Finance C
poration and other agencies
clarify the definition of 'M
dium Scale'. In many gover
ment and other communi
tions, there is a mention
medium sector, but so far
has not been defined. Rece
ly, there was a mention that t
banks might be asked to mo
tor small and medium ent
prises also as they were mo
toring industrial units with lin
of Rs 1 crore or more. Indir
tly, therefore, it means th
the medium sector wou
constitute of units having th
credit limits up to Rs 1 cror

Again for units having inve
ment up to Rs 1 crore was
required to obtain industr
licence. Here also it was
clear whether this limit v
only in plant and machinery
in the case of small-scale
includes total investment,
Alliance stated.

COMPANY AFFAIRS

Hindustan Everest

Mr B.P. Mandelia, president, Hindustan Everest Tools Ltd, the second largest hand tool manufacturers and exporters of India, told the press recently that the company's growth rate was more than 33 per cent in the year 1975-76. The company basically is export oriented and is exporting 80 per cent of its production to more than forty countries successfully. Not only that, the company has the distinction of its having the recognised research and development cell which is the only one in the hand tools industry in India and this cell has developed various new tools which have been imported in India so far. It has serviced prestigeous customers in the core sector of economy such as oil drilling, mining and geological survey.

Defence Sector

The company has launched various diversification programmes which include some of the priority sectors of the Indian economy such as defence and rural technological developments. Mr Mandelia emphasised on the initiative of the private sector to come forward and look into such demands of the defence sector as may be made available by way of its rationalisation and indigenisation of defence production. He further pointed out that the company, after having achieved expertise in different fields of engineering, approached this sector and there were waiting hands to accept appropriate technology to substitute imported ones. It was emphasised with great degree of confidence as Hindustan Everest, in its own way, has already contributed significantly in developing various maintenance equipments for defence through its R & D and consultancy division.

Mahindra and Mahindra

The preliminary statement from Mahindra and Mahindra on its working results for the year ended October, 1977 shows a marked improvement over the previous year's performance. Equity devidend has been stepped up once again from 12.5 per cent to 15 per cent and is covered nearly twice by the year's earnings. The company produced during 1976-77, 10,568 vehicles against 7,147 vehicles in the previous year and sold 10,616 vehicles against 8,109 vehicles. Total sales rose from Rs 61.24 crores in 1975-76 to Rs 69.31 crores in 1976-77 and gross profit from Rs 2.70 crores to Rs 4.10 crores.

After providing Rs 1.53 crores (Rs 1.26 crores) for depreciation, Rs 27 lakhs (Rs 38 lakhs) for investment allowance and Rs 98 lakhs (Rs 32 lakhs) for taxation and making some adjustments, the disposable surplus is Rs 3.73 crores (Rs 2.66 crores). The equity dividends will absorb Rs 66.37 lakhs and preference dividends Rs 11.75 lakhs. In the previous year, equity and preference dividend had absorbed Rs 66.97 lakhs. Sales of spare parts were higher at Rs 5.26 crores against Rs 4.38 crores.

The steel division handled business of about 286,000 tonnes. The instrumentation division booked orders worth Rs 1.67 crores against Rs 1.41 crores in the previous year. Production, sales and orders booked by the Nasik units of the electronics division were substantially higher than in the previous year. The machine tool division booked orders for Rs 1.26 crores against Rs 1.19 crores. Orders executed, however, dropped to Rs 69 lakhs owing to protracted deliveries by the overseas suppliers. The company exported 488 vehicles during 1976-77. Exports of spares almost doubled from Rs 54 lakhs to Rs 1.03 crores.

Indian Oxygen

Mr K.D. Moore, chairman and managing director, Indian Oxygen Ltd stated at the annual general meeting that the company had received a direction that it should take steps to reduce the foreign shareholding to not more than 40 per cent within one year. He hoped that the government would soon take a favourable decision on the company's major diversification project for manufacture of a range of castor-oil based chemical products. Despite follow-up, the government, he added, had not yet accorded its approval to the project.

He pointed out that because of the company's products, being used by a wide spectrum of manufacturing industry, its sales trends provided a good pointer to the state of industrial activity in general within the country. Unfortunately there had not been any discernible improvement and this was reflected in the company's turnover for the first three months of the current financial year. He added, however, that conditions might improve in the months to come.

Indian Aluminium

The directors of Indian Aluminium Company Limited have recommended a final dividend of Re 0.75 per ordinary share in respect of the year 1977. This dividend will be payable on the total ordinary share capital of the company as increased by the recent bonus share issue. An interim dividend of Re 0.70 per ordinary share was paid on the smaller ordinary share capital prior to the bonus issue. The directors have also recommended a dividend of Rs 6.25 per preference share, subject to income-tax payable by the company. Both the ordinary and preference dividends are subject to deduction of shareholders' income-tax at source. The total dividend distribution for 1977 will be Rs 3.73 crores compared to Rs 3.62 crores for 1976.

Power Shortage

Indal's production of aluminium in 1977 was 65,608 tonnes as against 84,101 tonnes in 1976, representing a decrease of 22 per cent, due to a severe power shortage as well as a 72-day strike by the workmen at the Belgaum plant. The lower metal production also affected output from the company's semi-fabricating plants. The sales of the company totalled Rs 116.9 crores in 1977 compared to Rs 132.2 crores in 1976. Profit before provision for taxes and transfer to investment allowance reserve was Rs 12.20 crores compared to Rs 13.48 crores in 1976. The

977 income includes Rs 1.40 crores of non-recurring excise relief. Net profit after taxes and investment allowance reserve was Rs 4.57 crores against Rs 5.60 crores in 1976. The drop in sales revenue and profit is attributable mainly to reduced metal output and unrealistically low prices for levy metal obtaining due to government's dual pricing policy.

The company has received a letter of intent for an increase in the capacity of its foil mill at Kalwa by 1,500 tonnes per annum. At the Belur sheet mill, a modernisation programme has been undertaken to improve production facilities and to enable the plant to operate at its full licensed capacity. The company is pursuing the prospect of expanding its alumina capacity at Belgaum for export of alumina to Iran on a long-term basis. Investigations into the feasibility of setting up a caustic soda/chlorine plant at Haldia are continuing.

Gujarat State Fertilisers

The preliminary statement from Gujarat State Fertilisers Co on its working results for 1977 shows a set-back both in turnover as well as profits. The dividend has been kept unchanged at 22 per cent. The turnover and profits are lower despite a satisfactory increase in production as well as sales volume. This is attributed to the reduction in prices and introduction of retention price system with regard to fertilisers and the heavy imports of caprolactum which influenced the over all offtake. The company produced 507,000 tonnes of fertilisers and 16,535 tonnes of caprolactum against 451,000 tonnes and 15,678 tonnes, respectively in the previous year. There was also a rise in the total tonnage of fertilisers sold. The total turnover, however, declined from Rs 109.63 crores in 1976 to Rs 96.12 crores in 1977 and the gross profit from Rs 34.78 crores to Rs 30.29 crores. After providing Rs 6.18 crores (Rs 6.79 crores) for depreciation, Rs 85 lakhs (Rs 25 lakhs) for investment allowance and Rs 14.1 crores (Rs 16.10 lakhs) for taxation, the net profit works out at Rs 9.25 crores (Rs 11.64 crores). Equity dividend will absorb Rs 263.93 lakhs (same) and preference dividends Rs 27.88 lakhs (same). A sum of Rs 6.34 crores (Rs 9.74 crores) has been transferred to general reserve.

Khandelwal Ferro Alloys

Khandelwal Ferro Alloys has raised the equity dividend for 1977 to 14 per cent from 12 per cent paid for 1976. While the sales of both ferro manganese and steel tubes in the domestic market were higher at Rs 6.08 crores and Rs 7.74 crores respectively in 1977 compared to Rs 4.70 crores and Rs 6.37 crores in the previous year, export sales were lower at Rs 4.23 crores against Rs 7.86 crores. The total turnover for 1977 was slightly lower at Rs 18.46 crores against Rs 19.32 crores. The gross profit was, however, higher at Rs 138.85 lakhs against Rs 106.44 lakhs. After providing Rs 20.95 lakhs (Rs 22.42 lakhs) for depreciation, Rs 2.86 lakhs (Rs 26,000) for investment allowance and Rs 62.45 lakhs (Rs 43.82 lakhs) for taxation, the net profit worked out at Rs 52.59 lakhs (Rs 39.94 lakhs).

The ferro manganese unit continued to operate at the optimum level of efficiency. The production has been higher during the year owing to improved availability of power. The offtake of ferro manganese by the steel plants in the country continued to be satisfactory. There will also be surpluses available for export. There are signs of demand picking up from Japan for ferro manganese slag. There continued to be considerable excess production capacity in the steel tubes in the country.

MICO

Motor Industries Company Limited (MICO), Bangalore, has won the national award for the best export performance in the large-scale industrial sector given by the Engineering Export Promotion Council. This is the first time that the company has won the all-India rotating shield.

Exports of sophisticated fuel injection equipment and spark plugs manufactured by MICO reached an all-time high level of Rs 13.73 crores in 1977. Original equipment supplies of fuel injection equipment to Europe and North America and exports of spares to south-east Asian and South American countries increased substantially. In fact, more than a third of the fuel injection pumps manufactured by MICO was exported. Exports of spark plugs to the Soviet Union remained at a high level, accounting for more than half of MICO's total production.

The countries to which MICO exported in 1977 included West Germany, the USA, the USSR, France, Italy, Brazil, Sri Lanka, Arab Republic of Egypt, Thailand, Argentina, Singapore, the Philippines, Iran, Spain and Burma. In 1977, the company's exports amounted to about 30 per cent of its total production. Since 1962, when MICO started exports, the total value of exports has exceeded Rs 60 crores, the bulk of which w achieved in the last four yea MICO is a net foreign exchan earner, the export earnin being more than twice the val of material imports and oth outgoings.

Hindustan Cables

The Hyderabad unit of th public sector Hindustan Cabl Ltd. produced cables wort Rs 6.6 crores in its secon year of production—1975-7 —and made a profit o Rs 55.14 lakhs, is expecte to produce cables to the fu capacity of worth about Rs 1 crores during the current financial year ending Marc 31, 1978. Giving this information at a press conferenc recently, the executive directo of the company, Mr K.L Reddy, stated that the company had exported cables worth Rs 3.4 lakhs to the Sultanate of Oman during 1976-77 as a modest beginning. This year they had already exported cables to the tune of Rs 50 lakhs. The company had also received an order from the USSR for Rs 32 lakhs worth of cables. A trial order worth Rs 30,000 was received recently from Sri Lanka's posts and telegraphs deparment.

Tata Exports

For outstanding export performance in 1976-77, Tata Exports won the highest award of the Engineering Export Promotion Council. The rotating shield for best all India export performance—was presented to Mr S.R.A. Aiyar, director, Tata Exports Limited by Mr Mohan Dharia, minister of Commerce, Civil Supplies and Cooperation at the council's annual general meeting held recently. The company achieved a record turnover of about Rs 97 crores during 1976-77, representing n increase of nearly 50 per ent over that of the previous ear. Of this, exports of engi-ieering products amounted to bout Rs 61 crores.

The engineering products hat featured prominently were ommercial vehicles, transmis-ion line towers, railway equip-nent and track materials, drill-ng and mining equipment, liesel engines and pumpsets, onstruction machinery, sugar nill machinery, steel plant quipment, fencing materials, teel tubes etc. By pooling ogether the expertise and experience of various reputed nanufacturers, Tata Exports nave also been able to offer a wide range of services includ-ng project planning, monitoring, management, field supervision, erection, testing and commissioning services related o turnkey projects. Constituted by Tata companies to promote the exports of their products and those of other quality manufacturers of non-traditional products, Tata Exports have established a firm foot hold in nearly 70 countries of the world including the sophisticated markets of Europe and America.

Shree Sitaram Sugar

Despite higher sugar production and better recovery, Shree Sitaram Sugar Company, has recorded a gross loss of Rs 3.16 lakhs on sales of Rs 2.14 crores during the year ended August 1977 against a loss of Rs 12.01 lahks on sales of Rs 2.25 crores in the previous year. After providing Rs 9.03 lakhs (Rs 1.28 lakhs) for depreciation and Rs 2,250 for investment allowance reserve, there is a debit balance of Rs 12.41 lakhs against a deficit of Rs 13.29 lakhs in the previous year. Cane crushed rose to 891,887 quintals from 771,900 quintals and sugar production to 83,794 quintals from 69,427 quintals. The recovery improved to 9.40 per cent from 8.99 per cent. The working results were affected because of a higher payment for cane at Rs 12.25 per quintal against Rs 9 per quintal on the basis of the government formula. The directors state that prospect of cane supplies in the current season were fairly good and the factory hopes to crush around one million quintals during 1977-78. The company has applied for a soft loan of Rs 2.88 crores from the Industrial Finance Corporation of India for modernisation and expansion of the capacity from 950 tonnes to 1500 tonnes of sugarcane per day.

Bajaj Electricals

Mr Ajit Shah, general manager (sales), Bajaj Electricals Ltd, stated on the occasion of the companys dealers' conference held recently at Bombay, that from a humble beginning of Rs 15 lakhs, 38 years back, Bajaj Electricals is expected to achieve a turnover of over Rs 15 crores in 1977-78. This range comprises of lamps and tubes, fans, domestic appliances, fittings, agricultural pumpsets, motors and diesel engines accessories. With the dynamic and progressive organisation headed by Mr R. P. Nevatia as chairman and Mr Ramkrishna Bajaj as managing director, Bajaj Electricals have planned to double up their turnover to Rs 30 crores in the three years.

Bajaj Electricals are encouraging selected small scale manufacturers in promoting their goods (mainly appliances) by giving financial and technical assistance as well as marketing services. The production and quality are, however, strictly controlled by Bajaj Electricals according to their design and specifications, rigorous quality control and marketing needs. Bajaj Electricals are marketing their products through a net-work of 16 branches (practically one in every state); four regional offices and about 3500 dealers spread throughout the country. Proper after-sales service is provided by these dealers irrespective of place of purchase of Bajaj product by the consumer.

Hindustan Copper

Hindustan Copper Ltd, a public sector undertaking produced 2,270 tonnes of blister copper in January this year. This compares with 2,162 tonnes produced in January 1977, according to an official release. Production at both the main units of HCL—the Khetri copper complex in Rajasthan and the Indian copper complex in Bihar—was, however, adversely affected due to drastic power cuts and repeated disruptions in supplies throughout the month. Power has been the main limiting factor in production during the current year.

BASF

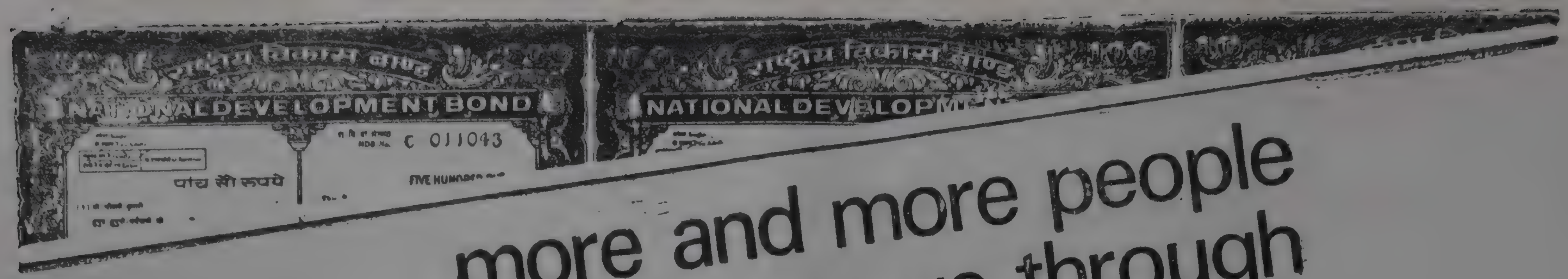
The directors to BASF India have proposed to pay a dividend of 20 per cent for 1977 against 16 per cent paid last year. According to preliminary figures, the turnover has declined from Rs 11.58 crores to Rs 10.67 crores and profit before tax has dropped from Rs 1.98 crores to Rs 1.02 crores. With the tax liability at Rs 41.79 lakhs against Rs 130.60 lakhs last year, profit after tax is Rs 60.20 lakhs compared to the previous year's Rs 66.96 lakhs. After making certain adjustments and after setting aside Rs 4.81 lakhs (Rs 2.20 lakhs) for investment allowonce reserve there is a net surplus of Rs 57.99 lakhs to stand against Rs 64.99 lakhs of the previous year. Out of this, the recommended dividend will absorb Rs 15.66 lakhs.

Bhagawati Oxygen

Bhagawati Oxygen has fared better in the first three months (September-December 1977) of the current year in view of improved demand from mini steel plants. Sales for the period have increased to Rs 5.90 lakhs from Rs 1.64 lakhs in the corresponding quarter of the previous year. The company has, however, fared badly for the year ended August 1977. It has suffered a loss of Rs 14.91 lakhs after providing Rs 4.26 lakhs for depreciation and Rs 29.615 for preliminary and capital issue expenses written off. The directors state that the working was affected by poor demand from mini steel plants.

INCO

INCO Limited announced recently its unaudited net earnings for the fourth quarter and year 1977. Estimated fourth-quarter 1977 earnings were $4.6 million, compared with earnings of $60.9 million for the fourth quarter of 1976. The company's estimated earnings for the year 1977 were $99.9 million, compared with earnings of $196.8 million in 1976. Net sales for the fourth quarter were $534 million, compared with $578 million for the fourth quarter of 1976. Sales for the year 1977 totalled $1.95 billion, compared with $2.04 billion for the previous year. The precipitous decline in fourth quarter 1977 earnings from the same quarter of the previous year was due principally to substantially reduced deliveries of nickel, lower prices for primary nickel and copper, currency translation adjustments and a required provision for separation costs related to employment reductions.



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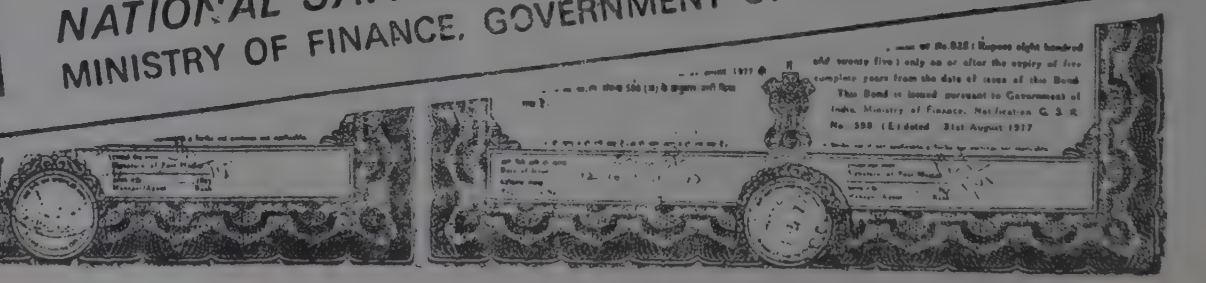

Railway budget : big surplus but marginal concessions

RECORDS AND STATISTICS

Presenting the second successive surplus Railway budget of the Janata government in parliament on February 21, 1978, Prof Madhu Dandavate, minister for Railways, announced that there would be no increase in passenger fares and freight rates. He also announced a few concessions for the users of railways, some steps to improve travel conditions for second class passengers, 'janata khana' in trains at one rupee only and service benefits and increasad welfare activities for railway employees.

PHOLDING THE view that the osperity of the railways should shared by the users and the npolyees, the Railway minis- r announced that the second ss passengers would from pril 1, 1978, have to pay five pees only as sleeper charges their entire journey irres- ctive of the number of nights volved.

The budget for 1978-79 timates gross traffic receipts Rs 2,220 crores or Rs 88 ores more than the revised es- nates for the current financial ear. Working expenses are timated at Rs 1,701 crores.

Surcharge on superfast ex- ess trains will be reduced om Rs 1.50 to one rupee for cond class passengers. In e case of superfast trains hich have ceased to be super- st, there would be no sur- arge at all. Reservation arges for second class sitting d sleeper accommodation ill be cut to half—from paise to 25 paise. Hill con- ssion for specified stations ould be available throughout e year.

roviding Amenities

Detailing the steps which the ilways will take during the ar to further improve the avel conditions for second ass passengers, Prof Danda- te said that all second class neral coaches on fast inter- ty services will be provided th cushioned seats. All the long-distance mail and express trains will, in the next two to three years, have second class 3-tier coaches with padded cushions and improved amenities on the pattern of the 'Gitanjali Express'. The minister hoped that this will greatly wean away most of the passengers from the first class to the second class. With this, he said, the ultimate objective of the railways of having predominantly one type of accommodation in long-distance trains will be achieved. This will mean gradual doing away with the different classes on the railways.

Double-decker Coaches

The minister said that he had decided that first class air-conditioned accommodation would not be increased hereafter and would be progressively phased out. He also announced that the new type of cushioned second class sleeper coaches would be provided in five more trains shortly and a majority of fast express trains will run with coaches having cushioned berths and back-rests and additional amenities during 1978-79. About 400 such coaches will be manufactured during the year. Starting from April, double-decker coaches will be pressed into service on specified routes.

Prof Dandavate also announced that the passenger-carrying capacity of the existing trains would be increased to accommodate 200 to 330 extra passengers in each long-distance train. This will be done by rationalising the composition of trains.

Janata Khana

In response to the demand of the travelling public for supply of food at cheaper rates, he announced that the railways had decided to supply 'janata khana' on all major long-distance trains at the rate of one rupee per food packet. Three varieties of food packets will be sold on trains to suit the tastes of people from different parts of the country. This will be in addition to the normal catering arrangements on trains.

Referring to the steps to be taken by the railways to curb corruption in reservations, Prof Dandavate announced that as a matter of general policy, only women would be employed as reservation/booking clerks and supervisors in the major booking offices, starting with the metropolitan cities. He said that he was also considering computerisation of passenger reservations in the four metropolitan cities to eliminate malpractices.

Besides better facilities for the travelling public, Prof Dandavate announced a number of steps which would ensure safety in train operations. In order to give sufficient rest to the staff, the government, he said, had decided to permit the railways to sanction upto 10,000 additional posts in operational categories connected with the running of trains other than the running staff. It had also been decided to provide additional running staff to the extent of 2,700 so that the ten-hour duty schedule might be implemented completely in as short a time as possible on all trains, both passengers and goods.

The Railway minister as well announced his decision to convert all unmanned level crossings, which are potential hazards to safety of passengers, into manned level crossings. This will be done in a phased manner entirely at the cost of the railways. At present, the initial cost of manning a level crossing is borne by the state government concerned and the recurring costs by the railways.

Increased Allocation

Prof Dandavate said that he had approached the Planning Commission for increased financial allocation to enable the railways to overtake, as quickly as possible, the arrears of track renewal works in the interest of safe and efficient rail operations.

In consonance with Prof Dandavate's assertion that he was motivated by the democratic perspective of conducting railway administration in full cooperation with the railway employees and their trade unions, the budget has a new deal for the staff, which will further strengthen the existing good industrial relations. In addition to the selection grades already given to 50,000 class IV staff, the minister announced that the government had decided to upgrade about 500 class III posts to class II. The quota for promotion of class II officers on the railways to class I had been enhanced from 33-1/3 per cent to 40 per cent, and the grades and working conditions of loco running staff and the running staff in general had been improved. To meet the long-standing demand of the catering bearers working on commission basis, it had been decided that they would be absorbed as regular railway employees on prescribed scales of pay in a phased manner.

Creating More Jobs

The Railway minister announced that government had fully lifted the ban on creation of posts, according to prescribed yard-sticks, for staff directly engaged in operations on the railways. In future, uniforms to the staff will be supplied in time and appropriate to the season and stitched according to individual measures, instead of present arrangement of stitching uniforms in a few standard sizes.

As a result of these steps, the Railway minister said he was sure to further improve the performance of the railways during 1978-79.

The financial year 1977-78 had been a year of broad fulfilment of the promises and assurances given to the rail-users and the employees, asserted Prof Dandavate. There had been a sustained improvement in the performance of the railways in regard to transport of both passengers and goods. On the basis of the improved performance, the revised estimates of gross traffic receipts for 1977-78 had been placed at Rs 2,131 crores—an increase of about Rs 21 crores over the budget estimates.

Net Saving

The Railway minister said that in spite of the increase in passenger traffic and the net tonne-kilometres of freight traffic over the budget level, the revised estimates of working expenses, which are now placed at Rs 1611 crores, indicated a net saving of Rs 37 crores as compared to the budgeted figure. This saving was due to better efficiency and tighter budgetary and expenditure control, he said. It could have been much more but for the inescapable additional expenditure due to the increased dearness allowance for the seven months of the current year and increased requirement of fuel necessitated by running of more trains. Prof Dandavate announced that the surplus for 1977-78 was now expected to be Rs 89.32 crores. This will be about Rs 57 crores higher than the budgeted figure of Rs 32.5 crores. The significant point to know, he said, was that the actual surplus generated in 1976-77 was Rs 87.24 crores and in 1977-78 the surplus would be higher without any further increase in fares and freight rates and despite accelerated costs.

Announcing the budget estimates for 1978-79, Prof Dandavate stated that gross traffic receipts for the year were estimated at Rs 2,220 crores—Rs 88 crores more than the revised estimates for 1977-78. The revenue earning goods traffic was expected to be 222 million tonnes or eight million tonnes more than the revised target of 214 million tonnes for the current year. Passenger traffic, as well as earnings, were expected to increase by five per cent.

Estimates of working expenses, the minister said, were placed at Rs 1,701 crores—about Rs 90 crores more than the revised estimates for the current year. The increase in working expenses is mainly due to the grant of one additional instalment of dearness allowance, revision of rates of night duty allowance for various categories of staff, implementation of assurance relating to 10-hour rule for loco running staff and acceptance of labour tribunal awards relating to hours of employment regulations. Increased provision has also been made for better maintenance of track and rolling stock and fuel requirements for the anticipated increase in traffic.

Appropriation to the Depreciation Reserve Fund for the year is Rs 145 crores, showing an increase of Rs 5 crores over the provision in the current year. The appropriation to the Pension Fund will also be increased from Rs 40 crores in the current year to Rs 50 croresin 1978-79.

Anticipated Surplus

The Railway minister said that with the increase in the level of working expenses and increased appropriations to the funds, the budget for 1978-79 was expected to yield a net surplus of Rs 65.43 crores. This anticipated surplus will help the railways reduce their indebtedness to the general revenues from Rs 368.68 crores at the end of March, 1978, to Rs 345.37 crores at the end of March, 1979.

Prof Dandavate said that he was exploring avenues for overcoming the adverse effects of indebtedness. This was also necessary to provide an incentive for the railways to generate more surplus which could be utilised for their developmental activities. He said
he was thinking of getting
indepth study made of
capital structure of the
ways by a committee.
thought that the time
come when the question
bearing heavy expenditure
way of social burdens had
be considered in all its asp
and a portion of that bur
should be shared by the ge
ral revenues. A high-po
official committee has b
appointed to examine some
the matters connected w
the social burdens. Out
about Rs 170 crores identi
as estimated social burd
during the current year, ab
Rs 69 crores were due to so
commodities being carr
below cost and about Rs
crores on the working
uneconomic branch lines. T
balance represents loss inc
red on short distance and su
urban passenger traffic.

Sustained Improvement

Referring to the tra
accruings to the railways, P
Dandavate observed that t
railways had witnessed a su
tained improvement in rega
to transport of both passe
gers and goods during 19
The originating loadings h
been consistently higher fro
month to month as compar
to the corresponding period
the previous year. This impr
vement was maintained rig
upto the end of Octob
1977. In November, t
originating loadings dropp
below those of the correspon
ing month of the previous ye
due largely to the unpre
dented cyclones on the ea
and west coasts which affect
the states of Tamil Nad
Andhra Pradesh and Kera
disrupting traffic extensive
on three railways—souther
south-central and south-easte
There had also been le
offerings of traffic by so

lustrial sectors due to varied asons. The same trend con- ued in December also.

The cumulative originat- g revenue loadings upto the d of December, 1977, he d, however, had been higher an those in the previous ar by 1.57 million tonnes.

Though the originating venue-earning traffic had len short of the budget ticipations, the average lead traffic had shown an appre- ble increase from 671 kilo- etres during the correspond- g period in the previous ar to 711 kilometres upto ecember, 1977—an increase six per cent.

rrect Index

The tonne-kilometrage of iginating revenue-earning eight traffic, which was the rrect index of totality of ilways' performance, the nister said, would be higher an the budgeted figure by out 2.5 per cent and by 5.5 r cent, as compared to the evious year. The revenue- rning net tonne-kilometrage freight traffic was expected be 151,940 million, as ainst the budgeted figure of 8,280 million. Though the iginating revenue-earning affic was expected to be only out 214 million tonnes, as mpared to the budget timate of 220 million tonnes, cause of the increased lead, e fall in tonnage would not ake any appreciable dent on r earnings from freight affic, the minister stated.

The Railway minister said at the passenger traffic con- ued to be quite buoyant. e increase in originating ssengers was 5.39 per cent to December and passenger rnings were also 11.2 per nt more than the correspond- g period of the previous ar. The increase in passen- r traffic receipts for 1977-78 had been placed at Rs 2,131 crores or an increase of about Rs 21 crores over the budget estimates.

The Railway minister said that the railways' annual Plan for 1978-79 provides Rs 535.30 crores, including Rs 15 crores for metropolitan transport projects and in addition Rs 5 crores to meet the working capital requirements for financing export orders. This outlay was higher by Rs 51.75 crores than the current year's revised outlay of Rs 488.55 crores. The allocation for 1978-79 included Rs 236 crores for rolling stock and Rs 29 crores for new lines.

Prof Dandavate announced that the railways would take up the construction of three new lines during the year. One of these would be from Apta to Roha as the first phase of the proposed West Coast Konkan Railway, connecting Maharashtra, Goa and Karnataka and providing a direct link with Kerala and Tamil Nadu. The other lines would be a link from Kalyani township to Kalyani in West Bengal and Nadiad-Modasa broadguage line via Kapadvanj in Gujarat.

It is also proposed to take up, during 1978-79, final location survey for Budge Budge-Namkhana line in West Bengal, traffic survey for Domohani-Changrabandha restoration work in West Bengal, and preliminary engineering-cum-traffic surveys for Parwadih-Karnoji line in Bihar and Madhya Pradesh, Khalilabad-Balrampur and Konch-Jalaun lines in Uttar Pradesh, and Lalitpur to Singrauli via Khajuraho, Satna and Rewa in Madya Pradesh and Uttar Pradesh.

The Railway minister assured the House that stringent economy measures would be introduced to curtail avoidable expenditure. He said that instructions had been issued to the zonal railways to progressively eliminate steam loco-sheds in the areas where a number of sections had been dieselised or electrified. To earn additional revenue, the minister said that he was considering a suggestion for offering some of the inspection carriages which were popularly known as "saloons" for commercial purposes to tourists. From now onwards, the children of the railway officers will not be entitled to travel with them on duty passes in train services. The question of abolishing the system of attachment of bungalow peons to individual officers was also under review. The money saved by these economy measures would be utilised for providing more benefits to rail-users, particularly the second class passengers.

Concluding his hour-long speech, Prof Dandavate expressed his appreciation for all categories of railwaymen who, with their hard work and unstinted cooperation, had brought about improvement in railway operations. He said that the commendable performance of the railwaymen during the current financial year had exploded the myth that only enforced discipline of the emergency era could achieve better results. "It would be our constant endeavour to keep this lifeline of the nation at the highest level of efficiency so as to make it an effective instrument in the social, economic and industrial development of the country. I am confident that I will have the cooperation and goodwill of all the honourable members, rail-users and all railwaymen in this task of making our railways more service oriented and productive", the minister said.

Eastern Economist 30 Years Ago

FEB. 27, 1948

The way the government has muddled this business of jute export quotas leaves a poor impression of its competence in handling the affairs of this important export industry. We had occasion to criticise the control of jute export trade in our last issue and further information available on the subject shows that things have gone from bad to worse. It is really distressing to learn how a crisis in the jute trade in Calcutta is gathering momentum at a time when India in common with other sterling area countries is desperately short of dollars.

What has happened may be succinctly stated as follows: The Government of India re-introduced the present pro rata scheme of quotas on January 10, when they announced that (a) evidence of concluded sales must be provided before quotas allotted, (b) those giving false information on material points would be liable to permanent black-listing, (c) export quotas would be issued only for January and February, and (d) provisional export quota slips would be issued on February 4. The last two conditions, it is reported, have been broken as the quotas were issued on February 17, and in case of certain major consuming countries, they have been issued for the six months period ending in June. Calcutta shippers have done practically the whole of the business and have firm commitments with overseas markets.

EEC scheme of generalised tariff preferences

Generalised preferences mark a turning point in international trade relations, which have been, till now, governed by the most-favoured nation principle and the rule of reciprocal concessions. They represent a new departure in international relations, based on collaboration between developed and developing countries. and may be rightly considered as a major contribution towards prosperity of the poorer countries. These preferences constitute a significant first step in the trade context towards a new world economic order.

THE EEC's generalized preferences scheme came into force on July 1, 1971. From year to year the scheme has been progressively improved and its scope widened. The scheme involves full exemption from customs duties for all non-agricultural manufactured goods and partial exemption for certain processed agricultural products, unrestricted by any ceiling.

The implementation of the Generalized System of Preferences (GSP) forms part of the Community's attempt to achieve a progressive reorganisation of economic relations between industrialised and developing countries, along these lines, on more equitable and more in keeping with the needs of the modern world. In other words, generalised preferences are an instrument of development co-operation which forms an integral part of the European Community's other economic policies.

Protracted Negotiations

It was in 1968, at the second UNCTAD session in New Delhi, that the idea put forward by the European Community in May 1963 at a GATT (General Agreement on Tariffs and Trade) meeting in Geneva gained ground and led to an agreement in principle to set up a generalised preferences system. It took UNCTAD two more years to reach agreement on the main features of such a system (1970).

There thus exists a single generalised system of preferences with a number of different schemes for its implementation by the various countries which responded to the UNCTAD appeal.

The dates on which these schemes were brought into operation are given in table below:

Individual mention should be made of Australia, which brought a special system of preferences into operation as early as July 1963, replacing it on January 1, 1974 by a new and much wider scheme more closely akin to the generalised system adopted by the other donor countries.

A number of east European state-trading countries also operate generalised preferences schemes.

The tariff preferences are:

(i) Generalised: they are normally granted by all industrialised countries;

(ii) Non-discriminatory: they are granted indiscriminately to all developing countries;

(iii) Independent: they are not the outcome of negotiations with the beneficiary countries.

These preferences are not reciprocal; the beneficiary countries are not required to grant corresponding duty-exemption in return.

Goods imported under the generalised preferences system enter the European Community duty-free, up to certain maximum amounts (ceilings or quotas). Once the limit is reached, the customs duties laid down in the Community's Common Customs Tariff may again be applied.

The ceilings or quotas are calculated on the basis of a set amount corresponding to the value of imports from beneficiary countries in a giv ference year. They are each year by five per c the value of imports from beneficiary i.e. industr countries. This five pe increase is known as the " tional amount".

The figures for 1971 taken as a basis for calcu the tariff quotas and c for 1974-75 and 1976. 1977, the reference year to establish both the basi the additional amoun calculating the ceilings 1974, which also served a reference year for 1978. 1978, however, the ceiling has been altered by taking as the reference year for the additional amount.

Tariff Quotas

A strict system of quotas is applied to sen products, i.e. products in pect of which the Comm industry concerned is in a position. In these case volume of preferential im is allocated among the member states in the for quotas.

To prevent the more ad ed or more competitive o GSP beneficiary (i.e. dev ing) countries using up th ferences offered by the munity to the exclusion of beneficiaries, maximum co amounts ("butoirs") are

EEC : Generalised Scheme of Preferences

European Community	July 1, 1971	Population	258,000,000 at June 30,
Japan	August 1, 1971	,,	112,800,000 in 1976
Norway	October 1, 1971	,,	4,000,000 in 1976
Finland	January 1, 1972	,,	4,700,000 in 1976
Sweden	January 1, 1972	,,	8,200,000 in 1976
New Zealand	January 1, 1972	,,	3,100,000 in 1976
Switzerland	March 1, 1972	,,	6,400,000 in 1975
Austria	April 1, 1972	,,	7,500,000 in 1975
Canada	July 1, 1974	,,	22,800,000 in 1975
United States of America	January 1, 1976	,,	215,100,000 in 1976

for each beneficiary which lay down a specific maximum percentage of the quotas or ceilings which may be used by any single beneficiary.

In order to qualify for duty-exemption under the GSP, exporting countries must comply with certain rules regarding the origin of the goods, in particular by providing certificates of origin. These formalities are intended to prevent any deflection of trade. For example, countries which are not covered by the Community preference scheme might attempt to avoid Community customs duties by routing their exports through beneficiary developing countries. The certificate of origin system, although it may appear somewhat complex, safeguards the interests of the countries covered by the Community's GSP.

World's Biggest

The European Community is the world's biggest importer and exporter. In 1974 its imports from non-member countries totalled Eur 125,000 million (approximately US $156,000 million) of which Eur 106,000 million consisted of industrial goods and Eur 19,000 million of agricultural products. Exports from the Nine Community countries totalled Eur 109,000 million, industrial goods accounting for Eur 101,200 million of this sum and agricultural products for Eur 7,800 million.[1]

In 1975 imports from non-member countries amounted to Eur 117,000 million, including Eur 98,000 million of industrial products and Eur 19,000 million of agricultural products. The Nine exported goods to the value of Eur 114,000 million, comprising Eur 106,500 million worth of industrial and Eur 7,500 million of agricultural products. The total import and export figures for 1976 are Eur 140,000 million and Eur 124,000 million respectively.

In 1974 the Community's imports from developing countries came to approximately Eur 59,000 million i.e. approximately US $74,000 million.

The corresponding totals for 1975 and 1976 were Eur 51,000 million and Eur 62,000 million respectively.

Duty Exemption

It is essentially this category of goods which the Community's generalised system of preferences tries to encourage by allowing duty exemption on imports.

Since 1971 the volume of the offer on duty-free imports in the industrial sector—including textile products—has been considerably increased:

Community of Six:

478 million u.a[2]. (first half of 1971)
1,055 million u.a. in 1972
1,185 million u.a. in 1973

Community of Nine:

2,800 million u.a. in 1974
3,080 million u.a. in 1975
3,589 million u.a. in 1976
4,992 million u.a. in 1977
5,100 million u.a. in 1978

These figures show that despite the recession the Community has improved its offer each year, taking the view that some valid response must be made to the economic problems which have faced developing countries over the past few years. The developing countries have suffered even more than the Nine from rising energy costs and the world recession ,and the Community intends to go on improving its offer as much as possible. Nevertheless, the 1978 offers for a number of products (iron and steel products, petroleum products, footwear and plywood) will be unchanged from 1977 levels, owing to the precarious position of the industries concerned. For products showing too high a growth rate, the rise in the ceilings will be limited to 50 per cent.

The Commission is also proposing:

Extension of the limited reserve share[3] to all GSP industrial sector tariff quotas, expressed in terms of value;

More flexible administration of the special maximum country amounts; and

For the least developed countries, exemption from the reintroduction of customs duties provided for in the ceiling system. In 1977 these countries already enjoy the same kind of exemption in connection with the maximum country amounts.

The Commission also proposes to offer Romania preferences on a number of additional products, as an indication of the Community's desire to take account of the difficult period that Romania is going through.

Sensitive Products

Since 1975 there has been a considerable reduction in the number of sensitive products, other than textiles and ECSC products, for which tariff quotas are provided under the GSP:

53 in 1971
58 in 1972
50 in 1973
51 in 1974
13 in 1975
13 in 1976
13 in 1977
13 in 1978

From 1971 to 1973 there were 147 processed agricultural products which came under the European Community' generalised preferences system The initial annual value of th preferences granted in respec of these products was 4 million u.a. In 1974 the num ber of processed agricultura products covered by the GS was raised to 187.

The main products concerned are fish meal, certain varieties of shrimps and prawns coconut oil for industrial use desiccated coconut, cocoa butter, soluble coffee, certai categories of preserved pineapple and on a temporary basis Virginia flue-cured tobacco The impact of the product covered on trade was put a 450 million u.a.

Progressive Coverage

In 1975 the Community' GSP covered 220 processe agricultural products whic accounted for imports estimated at 600 million u.a. from the beneficiary countries.

In 1976 the number of products was increased to 241, representing imports into the Community worth 1,000 million u.a.

The 1977 GSP covered 296 products, for which the value of preferential imports may be estimated at 1,235 million u.a.

Most of the improvements represent a special effort in favour of products exported by the least developed countries (e.g. Virginia tobacco, spices, vegetable oils and certain types of cut flowers).

The considerable improvements in the agricultural sector contained in the 1977 scheme are due largely to implementation of the offer on tropical products made in the GATT multilateral trade negotiations. Given the present economic climate, it is difficult for the Community to go any further.

The Commission is proposing that a number of new products be added to the list for 1978: horses, including horses for slaughter, certain kinds of crustaceans and molluscs, dried garlic, limes, walnuts, and tropical fruit salads.

This brings the number of processed agricultural products in the 1978 GSP to 305, with an import value of 1,300 million u.a.

A limited reserve share is to be introduced for all GSP tariff quotas for agricultural products.

The tariff quotas and ceilings for textiles are as follows:

19,429 t in 1971 (July-Dec.)
39,444 t in 1972
42,631 t in 1973
68,205 t in 1974
75,323 t in 1975
79,131 t in 1976
85,725 t in 1977
85,725 t in 1978

For cotton and similar products tariff preferences were granted to countries which had signed the LTA[4] or accepted similar undertakings. This agreement ran from 1963, expiring, after an extension, on December 31, 1973, when it was replaced by the Multifibre Arrangement (MFA)[5], which covered practically all textile products and came into force on January 1, 1974.

Provisional Formula

The bilateral negotiations conducted pursuant to the MFA are not yet completed, which is why a provisional formula was adopted for the 1975 preferential scheme as applied to textiles. The 1974 GSP provisions for all textiles were renewed in 1975 and again in 1976, subject to a fixed uniform annual increase of five per cent in the tariff quota ceilings.

The 1977 scheme establishes a link between the MFA and the GSP:

Introduces more restrictive arrangements for over-competitive beneficiary countries by placing them on an equal footing. "Over-competitive" countries are those with a *per capita* income of $300 or more, which account for at least six per cent by product of Community imports from GSP beneficiaries; is more flexible towards the other beneficiaries, which include particularly poor countries.

The 1977 scheme will be maintained for 1978; the critical state of the textile industry in a number of regions of the Community has meant that the Commission is not proposing to raise the ceilings, except for carpets.

Coir and Jute

As regards coir and jute products the tariff suspension granted by the Community as a *quid pro quo* for the voluntary restraint agreements negotiated with India (jute and coir) and Bangladesh (jute) will continue to be applied.

For coir products the suspension was raised on January 1, 1978 to 100 per cent. The Commission is now proposing to bring forward the 100 per cent suspension for jute products to the same date, in response to requests from India and Bangladesh and in recognition of the importance of exports of jute products for these two countries. Under the existing agreements this suspension was not due to enter into force until July 1, 1978.

Particular care has been taken with the rules of origin to accommodate the member countries of regional economic groups. The extension of the rules of origin is aimed at encouraging regional integration and the Community has adopted a cumulative system for exports entering the EEC from "common markets" such as the Central American Common Market[6], the Andean Group[7] and ASEAN[8].

The Community intends to continue its programme of seminars in the beneficiary countries, extending it at the sectoral level. This programme is an integral part of the active information policy directed at the official authorities and business and trade circles in the beneficiary countries.

A practical guide to facilitate use of the GSP has been compiled and is now available to users of the system.

The Commission is planning to intensify publicity on the GSP in order to encourage the fullest possible utilisation of the advantages granted.

One hundred and eleven countries are currently beneficiaries of the Community's GSP.

The generalised preferences policy falls in with one of the major objectives of the European Economic Community: the desire to achieve a more balanced distribution of the world's wealth.

The Commission's proposals for the 1978 scheme of generalised preferences reflect both a concern for fair treatme and a sense of responsibility.

A sense of responsibility towards our partners and oth countries in the developi world whose interests a bound up with ours; and fa treatment of the Community own economic interests.

In the present economic cl mate, with the prospects of sustained recovery still unce tain, the Community has a tempted to hold on to pa achievements and make pr vision for the future. The 197 generalised preferences schem is one of measured and tangib improvements.

References

1. 1Eur=$1.25 in 1974, $1.32 i 1975 and $1.27 in 1976.
2. 1971 u.a.=US $1.
3. Tariff quotas are allocate among member states in the forr of national shares. Occasionally it not possible to make full use of quota. So that the beneficiary sup plier who normally exports to on particular member state does no have to switch exports to anothe member state when the nationa share is used up, a reserve share o about 20 per cent is established which can be used by the membe state whose national share has "ru out".
4. LTA=Long Term Agreemen regarding International Trade i Cotton Textiles
5. MFA=Arrangement regardin International Trade in Textiles
6. Costa Rica, El Salvador Guatemala, Honduras and Nicaragua
7. Bolivia, Colombia, Ecuador Peru and Venezuela
8. Singapore and Thailand, Indonesia, Malaysia, Philippines

—*Directorate Generale, Commission of the European Communities.*

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Editor : **V. Balasubramanian**
Registered at the GPO, London, as a newspaper

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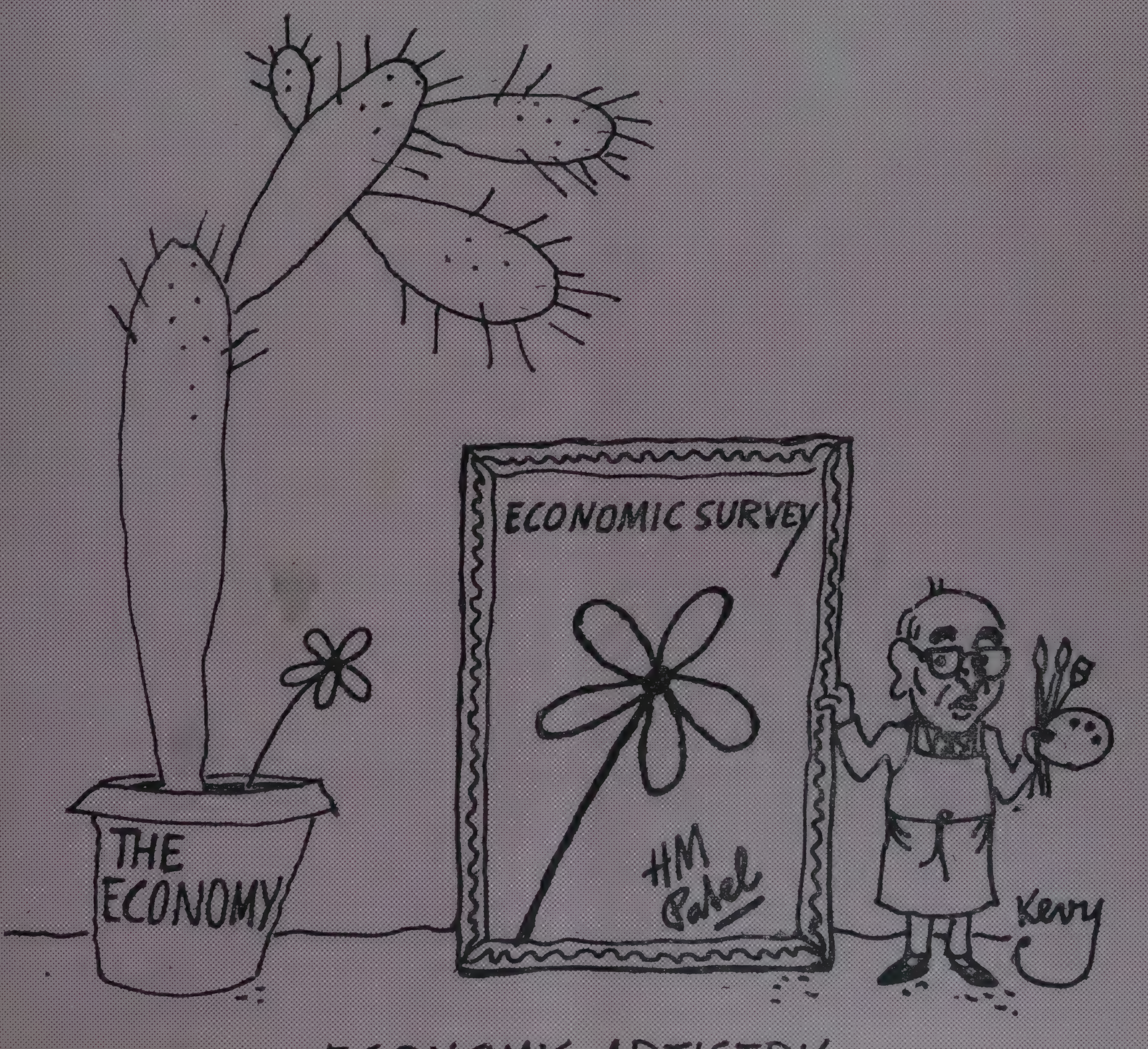

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Price Rs 2.50

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Recipe for stagflation

Nineteen seventy seven was a year of missed political opportunites for the Janata party, as the assembly election results have just shown. The year 1978, thanks to the central budget, may well prove to be a year of mislaid economic opportunities for the nation. By administering the heaviest ever dose of additional taxation to the economy at a time when it is crying out for reflationary reductions in direct and indirect taxes Mr H.M. Patel has turned his back on the lesson that not only other countries but also our own country has learnt that, beyond a point, which is readily recognised though usually as readily ignored, taxation is an inefficient and deceptive effort at mobilising the community's savings for economic growth. Thereby he has deprived this country of its chance of joining the expanding ranks of nations, both developed and developing, which are successfully putting their faith in fiscal policies geared to rising levels of investment and employment.

In some sort of fairness to the Finance minister, it may be conceded that the major policy decisions of this budget were predictable and that most of them were in fact predicted. But this has not helped to lessen the shock of the actual proposals. The Plan outlay has been pushed up without any success being secured in curtailing the growth of non-development expenditure. Inevitably the people's pockets have been picked freely and yet the resource mobilisation attempted by the Finance minister falls far short of the demands of non-inflationary financing. Mr Patel may claim credit, if he pleases, for projecting a big budgetary deficit, following another large one in the current financial year, after imposing the heaviest ever dose of additional taxation, mostly indirect. For the economy, this means having the worst of both worlds. The relative price stability, which has been recently and so tentatively achieved is threatened by a potentially inflationary fiscal policy, unredeemed by any major tax concessions, which could have stimulated savings and investment or the current level of production, especially in industries still caught up in a recession. All this makes of this budget a recipe for stagflation.

The Finance minister's retort will no doubt be that the additional government receipts, generated whether through increased taxation or deficit financing, is not going to remain in its pocket, but is intended to be spent in the priority areas of development, such as agriculture, small-scale industry, rural development and power generation, about the urgency and importance of which a national consensus has developed. This of course is not an original defence or apologia, but what is more to the point is that its substance almost totally disappears when it is recognised that it is precisely because the fund-raising exercises in the past, which are not different from the proposals in the present budget, had obstructed the growth of the resource base for development that it has become once again necessary for the Finance minister to make his melodramatic appeal to the people not to grudge making sacrifices for the country. Who can say only religion has rituals?

Actually the extent of the increase in the Plan outlay proposed by the Finance minister does not seem to justify the large government draft he seeks to make on the community's income, consumption or savings. It is not necessary to deny Mr Patel credit for the larger provisions he has made for certain programmes of agriculture, rural development or power generation to be able to argue that he has committed a major error of judgment in denying to the industrial sector the reflationary fiscal impetus it must have if industrial production were to pick up or investment to stop stagnating. The facile assumption that a higher level of government expenditure would in itself provide the provocation or encouragement for the expansion of business activity has proved so often wrong that it has lost credibility completely. It is only when the industrial sector is provided with specific tools for bigger or better performance that sufficient results could be expected from it. Any budget which overlooks this equation, as the present one does, can be neither sufficiently sincere in its objective of stimulating the economy nor successful in its pursuit of it.

While leaving the details of the budget proposals or decisions for discussion later, we would point out that the concessions offered for certain forms of savings or investment in new equity shares cannot even make a marginal difference to the central fact that personal and corporate taxation cannot indefinitely continue at the high levels they have reached without continuously weakening the community's capacity to become self-reliant in the generation of the additional resources needed to accelerate economic growth. Again, contrary to the impression which the Finance minister evidently wants to create, his excise tax proposals are bound to increase industrial costs and prices over wide areas—a development which must necessarily have its impact on industry, both small-scale and large-scale and households, both rural and urban. Mr Patel has proudly pointed to the relative price stability reached in the latter part of the current financial year, but he has conveniently ignored the fact that this has only happened after the cost of living has risen high enough to hurt cruelly the mass of the people. In these circumstances, he is really taking grave risks if he believes that he can play with the price level.

Budget at a Glance

(Rupees in crores)

	1977-78 Budget	1977-78 Revised	1978-79 Budget
Revenue receipts	9542	9778	10461 (+)321*
Expenditure	9487	9743	10899
	(+)55	(+)35	(—)438 (+)321*
Capital receipts	5942	5591	6560 (+)25*
Expenditure	6081	6601	7518
	(—)139	(—)1010	(—)958 (+)25*
Total receipts	15484	15369	17021 (+)346*
Expenditure	15568	16344	18417
Overall deficit	84	975	1396 (—)346*

*Effect of budget proposals

Uncovered deficit 1050

Last time the Finance minister said that he was depending on the uncertain device of drawing down foreign exchange reserves for reducing the estimated budget deficit of Rs 884 crores to Rs 84 crores. Actually, the current financial year is now expected to wind up with a deficit of the order of Rs 975 crores. This is an outcome which cannot have surprised anybody, including Mr Patel. A budgetary gap of Rs 1,050 crores is being projected for the new financial year and this time the Finance minister expects this deficit to be reduced by sales of government gold. Since he has not given an indication of the size of this gold sales programme—and this kind of information necessarily has to be withheld from the public—,the assessment of the probable extent of th residual budget deficit for 1978-79 is boun to be an even more speculation exercis than the similar attempts made a yea ago. Mr Patel himself is confident tha whatever the extent of the ultimate defici the resulting monetary expansion could b controlled to an extent sufficient to eve the reemergence of inflationary pressure He has also expressed his faith in th government's capacity for supply manag ment, thanks to the large stock of food grains and the availability of foreign ex change for importing essential consume goods. The cost the community mus necessarily pay in the form of surrendere opportunities of economic expansion i any but the shortest of short-terms fo such a parcel of stop-go economic policies however, does not seem to worry th Finance minister or the government.

A year of unsolved problems

THE PRESS Information Bureau's summary of the Economic Survey, presented to parliament by the Finance minister on February 23, starts with patting the government on the back for the "very satisfactory performance of the economy in 1977-78". Since everybody in the present government, from the prime minister downward, has been repeatedly asserting that the previous government had left the economy a shambles, Mr Morarji Desai and his colleagues have succeeded presumably in performing a major miracle by putting the economy on its feet within the period of a year.

The most notable feature of the economic situation in 1977-78, says the Survey, was the absence of any serious constraints on economic growth. Whereas in the past shortages of foodgrains and foreign exchange had been the two major factors which had acted as a brake on economic growth, the current year began with stocks of foodgrains of 18 million tonnes, which rose to 20 million tonnes by the end of June, 1977. Foreign exchange reserves had increased by Rs 1,371 crores in the year ending March 1977. In other words, if there were no serious constraints on economic growth during the first year in office of the Janata government, it was precisely because the processes leading to the removal of these constraints had been in operation for some time before Janata party came to power. The question therefore is why, even in the absence of any major limitations on the expansion of the economy, as conceded in the Economic Survey, there has in fact been not much growth in 1977-78.

The Survey tries to side-track the issue by arguing that the GNP has gone up by five per cent, prices have been largely stabilised, the expansion of money supply has been controlled and food and foreign exchange reserves have been further strengthened. Thereby it tries to divert public attention from the unpleasant truth that, in those areas of the economy, over which the government has some authority or influence, its performance has in fact been poor. For instance, there is nothing to boast of in the government's handling of the problem of power shortage or labour unrest. Similarly the government does not have much to show by way of stimulating demand for the products of several industries which had been caught up in a recession. On the contrary, it has contributed to the worsening of the general industrial picture by watching helpessly the slump which has developed in najor industries such as textiles, sugar or ute. No wonder the rate of growth of ndustrial production in 1977-78 is threaening to decline to a level between five and six per cent as compared to an increase of 10.4 per cent recorded in 1976-77.

The Economic Survey says that the decline in industrial production was due to slackening growth in important sectors ike electricity, transport equipment, iron and steel, coal, cement and cotton textiles. According to it the factors responsible for such an outturn would appear to be power shortages, lack of capacity for expansion, labour unrest in certain areas and lack of demand for certain industries. Thus the government stands convicted out of its own mouth of having failed to attend properly to the various factors which must be looked after or encouraged if industrial production is to maintain steady and accelerating growth.

sagging export rate

Similarly, in the export sector also there is evidence of the government having failed to secure a grip on important categories of activity. While the export growth rate was as high as 27 per cent in 1976-77, exports have increased only at the rate of nine per cent in the first eight months of 1977-78 as compared to 31 per cent in the same period in 1976-77. The Economic Survey conveniently emphasises the slow growth of the world economy, the restrictions imposed by developed countries on some of our exports and slackening demand from areas like the middle east, but it shies at recognising the fact that not a few of the factors which have discouraged the growth of industrial production, such as power shortages and labour unrest, have also been interfering with exports. Moreover the recession in the domestic demand for the products of many industries has affected their export capacities by depressing the levels of total activity or average productivity. While stressing the relevance of the generation of surpluses for export to the strategy of export promotion, many of us tend to ignore the fact that a viable economic base is in many cases essential to stable or satisfactory export performance.

The remedy for industrial revival, the Survey argues, lies in an increase in public investment which will remove some of the present bottlenecks and lead to a revival of demand particularly for capital goods industries. It also refers to the importance of increase in agricultural incomes and greater industrial peace as well as the further growth of exports. But it forgets that an increase in public investment is by no means proved to be an assured formula for reviving business activity. Even the government's and our experience of 1977-78 has shown that the stepping up of public expenditure has not helped to avert a decline in the rate of industrial growth. Against this background the Economic Survey's advocacy of an increase in public investment may well be looked upon with a certain degree of suspicion. Governments, after all, are always interested in seeking justification for increased public spending especially because they have generally failed to arrest the growth of unproductive or wasteful expenditure.

The Survey has noted that there has been an achievement of price stability during the current financial year. While the wholesale price index had gone up by 12 per cent during the year ended March 26, 1977, the increase since then has been relatively small and is no more than 0.6 per cent by January 21, 1978. It should not however be overlooked that, even if the price level may be tending to stabilise, it is doing so on a high enough plateau. In any case, the consumer price index has gone up by 5.6 per cent between March 1977 and December 1977, so that it cannot be claimed that the public has so far received much positive relief from the burden of high prices. Considering that the government has had large food and foreign exchange reserves to draw on, its achievement with regard to the price level cannot by any means be regarded as a sensational success, while its failure to stimulate industrial activity sufficiently must certainly be rated as extremely disappointing.

Moreover, the government's continuing anti-inflationary policy has tended to rely excessively on monetary and credit restrictions which, it must be emphasised, are also responsible for the decline in the rate of growth of industrial production for exports. The stagnation in investment, which has been officially emphasised and deplored repeatedly, again, is not unconnected with the dear and tight money policies of the government. It is against this background that the slower increase in money supply during the current year should be assessed. So far it has been only 8.7 per cent as compared to 12.4 per cent in the corresponding period of the fiscal year 1976-77. However the increases in bank credit to government have been particularly sharp in the current year, the implication being that trade and industry have borne the brunt of the government's attack on the expansion of money supply. Of particular significance in this connection is the fact that the rate of growth of deposits with the banking system has tended to be lower at 19.4 per cent in the current financial year as compared to 21.2 per cent last year. In particular, the growth of time deposits, which normally acts as a contractionary influence on money supply, grew only by 18.5 per cent in the first 10 months of the current year as against 25.9 per cent in the same period in 1976-77. This must rudely shake the assumption that higher interest rates must necessarily be accompanied by faster growth of bank deposits and therefore of savings. What seems to be happening is that the prolonged operation of restrictive monetary and credit policies is distorting the pattern of

Budget Number, 1978

In its issue dated March 17, *Eastern Economist* will explain and analyse the budget policies and proposals in detail and make an attempt to assess their total impact on the economy and its future course of development. This special issue will include important budget papers and other relevant documents.

avings, while probably depressing the verall growth of investible resources in he economy.

In the coming year there may be further ains in the factors which the government onsiders as assets for a bold strategy of levelopment, viz., the foodgrain and oreign exchange reserves. Since the total oodgrain production is expected to be around 121 million tonnes, an increase of 10 million tonnes over last year's output, the foodgrain stocks should normally rise further. In the case of foreign exchange reserves, the rate of growth of exports has shown a tendency to decline, but the foreign remittances keep flowing in. This means that, although further additions to the foreign exchange reserves, which are currently around Rs 4000 crores or about the cost of nine months' imports, are not likely to occur to any substantial extent, the government will still have the problem of utilising a part of these reserves constructively for stimulating industrial activity or general economic development. In other words, as the government moves into the new financial year, it will be carrying with it many unsolved problems from the year that is now coming to a close. In this sense there is no justification for the government to looking upon its first year in office as a year of success in revitalising the economy. The time for jubilation is not yet.

Finance for tractors

THE RECENT decision of the Reserve Bank of India that bank loans may not be advanced for the purchase of tractors has provoked protests from prospective buyers who usually do not have ready cash to buy this costly item. The decision obviously is not justified in the present circumstances when every addition of a tractor assures intensive cultivation leading to increased farm productivity. It is becoming clear that the use of improved inputs by themselves cannot yield the required results unless they are used with some precision and care. In that sense costly inputs in areas where irrigation is assured have gradually made the use of tractors essential. It is for this reason that irrigated areas in Punjab are almost entirely cultivated with the help of tractors leading to substantial rise in productivity. The state already has more than 50,000 tractors in use which constitute one-fifth of the total tractors in the country. The threshing of wheat crop has also been almost completely mechanised and cultivators commonly use groundnut diggers and potato planters.

It is incorrect to believe that modernisation of agriculture causes large-scale unemployment. It has been observed that increased productivity caused by the use of tractors is associated with many other operations which have to be handled by human labour. In other words, there is a displacement of work force from one type of job to another, without any perceptible reduction in demand for labour. It has also been realised that small and marginal farmers do not find it easy to maintain bullocks for cultivation because these animals compete for the scarce output from small land holdings. Even for small farmers the hiring of tractors for cultivation not only saves the botheration of maintaining animals all the year round but also assures timely cultivation which is important in the context of intensive farming.

The demand for tractors in recent years has shown an upward trend so that indigenous production improved from 24,200 in 1973-74 to an estimated output of 36,000 during the year 1977-78, showing a rise of nearly 50 per cent in a period of four years. In other words tractor industry has achieved a rise of more than 10 per cent every year. During the next five years also the demand for tractors is likely to continue at the same rate thereby reaching around 60,000 tractors in the year 1982-83. It may be observed that additional demand is not expected to come from the states of Haryana and Punjab where the number of tractors is proportionalely higher than the rest of the country. But the areas which have got irrigation facilities in recent years through large and medium sized irrigation projects are likely to require more tractors. The gradual electrification of villages is also encouragin the sinking of tube-wells which assure th required water and encourage the farmer to use valuable agricultural inputs. I such areas also the use of tractors durin peak periods would become necessar without causing any displacement o labour.

It may be added that the import o tractors may gradually come to an en with the availability of a wide rang within the country. A number o tractors was imported from east Europear countries on rupee payment which woul not be possible in the coming years because trade with these countries i being shifted to convertible currencies.

production capacity

At present 15 units have been licensed for the manufacture of tractors in the range of 25 to 75 HP with a total annual capacity of 129,000 numbers. Eleven of these units are in production with a licensed and installed capacity of 102,000 numbers and 50,000 numbers respectively. Additional letters of intent have also been issued to a few units. The present installed and licensed capacity, therefore, is sufficient to meet the demand for tractors during the next five years. In other words, no substantial capital input will be necessary in this industry if the present rate of increase in demand for tractors continues.

A recent study conducted in Tamil Nadu had revealed that the use of tractors does not cause any perceptible unemployment. It only encourages a certain re-adjustment on the part of landless labour. Moreover, the present thinking in the Janata party as has been clarified by the Home minister, Mr Charan Singh, is that the government does not want to encourage too much fragmentation of holdings below a certain level so that the number of uneconomic holdings does not increase leading to reduced agricultural surplus. In fact the new development strategy of the Janata party to encourage village industries and small-scale industries in the rural areas would lead to a marginal shortage of labour in certain areas during peak periods of cultivation. The decision to discontinue the bank loan for the purchase of tractors, therefore, should be revised.

CAPITAL'S CORRIDORS

R. C. Ummat

Budget highlights • Railway concessions • Steel production and plans • Garland canal

EVEN THOUGH the Finance minister, Mr H.M. Patel, has made a massive effort at mobilisation of additional resources next year—to the tune of as much as Rs 549.5 crores—he has left an uncovered gap in the 1978-79 union budget of the order of Rs 1,130 crores. Of the Rs 549.5 crores additional receipts, Rs 499 crores will accrue from indirect taxation—Rs 488.6 crores from excise levies and Rs 10.4 crores from customs imposts—Rs 25.5 crores from direct taxes and Rs 25 crores from compulsory deposits. The share of the states in this mobilisation will be Rs 95.5 crores. The centre, thus, will benefit to the extent of Rs 454 crores. The withdrawal of the interest tax on the banking industry will cost the centre nearly Rs 108 crores and bring down the additional resources from the budgetary proposals to Rs 346 crores—Rs 321 crores from taxes, both direct and indirect, and Rs 25 crores from compulsory deposits.

revenue receipts

The revenue receipts of the centre, after including the additional resource mobilisation, next year are expected to be around Rs 10,782 crores and capital receipts, including those from compulsory deposits, approximately Rs 6,585 crores. The total receipts, thus, will amount to Rs 17,367 crores. The revised estimates for the current year put the revenue receipts at Rs 9,778 crores, as against the budget estimates of Rs 9,542 crores, and the capital receipts at Rs 5,591 crores, as against the budget estimates of Rs 5,942 crores. The revised estimate of total receipts for the current year is Rs 15,369 crores, as against the budget estimate of Rs 15,484 crores.

The revenue disbursements next year are estimated to be of the order of Rs 10,899 crores and capital disbursements to the tune of Rs 7,518 crores, as against the current year's revised estimates of Rs 9,743 crores and Rs 6,601 crores and the budget estimates of Rs 9,487 crores and Rs 6,081 crores, respectively. The total disbursements next year are estimated around Rs 18,417 crores, as against the Rs 16,344 crores revised estimate of aggregate disbursements during the current year and Rs 15,568 crores budget estimate for this year.

The overall central deficit for the current year is now estimated to go up from the budgetary figure of Rs 84 crores to as much as Rs 975 crores. On the above calculations, the deficit in the central budget next year will be Rs 1,050 crores. The balance Rs 80 crores deficit will result from the recent increase in the dearness allowance of government employees and the concessions given to the sugar industry. These two factors have not been taken into consideration while estimating the next year's deficit in the budget documents at Rs 1,050 crores.

massive taxation

The massive dose of taxation, particularly on the excise front, and the large uncovered gap between the total resources available and the likely expenditure to be incurred, however, are officially not expected to have any serious impact on the general price level which has tended to stabilise in the recent months. The official sources estimate the direct impact of indirect taxation proposals at not more than 0.7 per cent.

A novel feature of the next year's budget proposals is an across-the-board increase in the excise levies. This is stated to have been done with a view to maintaining the inter-se balance among the various sectors of the economy.

The overall deficit of Rs 1,130 crores is expected to be brought down to some exte through the sale of non-monetary gold the government and concerted efforts economising in non-plan expenditure. Th non-monetary gold with the governmen accumulated over the past nearly thre decades through local production, confi cation of smuggled gold and receipts c non-repayable gold under the Gold Bon Scheme is estimated to be worth abou Rs 500 crores at current prices. Th plan expenditure next year is being raise from the last year's budgeted figure o Rs 9,960 crores to as much as Rs 11,64 crores (approximately by 17 per cent). In view of the changed priorities of the Plan the central plan next year will be slightly smaller than the aggregate plans of the states and the union territories. The step-up in the outlay on the states' plans, as a whole, will be 19 per cent and that in the plans of the union territories 27 per cent. The increase in the central plan will be about 15 per cent.

annual plan

In line with the Janata party's proclamations, the next year's annual plan accords higher priorities for the development of agriculture, irrigation, power and the rural sector. The overall Plan expenditure on agriculture and rural development, according to the traditional norms of including in it the outlay on agriculture, irrigation, flood control, and fertilisers, development of tribal and hill areas, rural roads, communications and water supply, 50 per cent of the total outlay on power, 75 per cent of the aggregate outlay on family planning and welfare, etc, will be 40.29 per cent, as against 37.42 per cent in the current year and 35.32 per cent in the plan for 1976-77—the last year of the Congress regime.

Besides the development of agriculture, for which the Plan outlay has been raised by Rs 490 crores to Rs 1,754 crores next year, a massive effort is to be made to step up the dairy development programme at a cost of nearly Rs 500 crores. Substantial increases have been made in the outlays for the development of fisheries (from Rs 33 crores this year to Rs 61 crores next year), rural roads (from Rs 85 crores to Rs 115 crores), and rural water supply (from Rs 70 crores to Rs 105 crores). The above increased expenditures have been provided in the state plans.

They will be supplemented by a special provision in the central plans to the extent of Rs 60 crores.

The allocation for the development of rural and small-scale industries has been increased from Rs 145 crores this year to Rs 219 crores next year and for the programmes for the welfare of scheduled castes and other backward classes from Rs 313 crores to Rs 413 crores. The additional irrigation potential expected to be created next year is three million hectares, as against 2.23 million hectares this year. The power generation capacity is envisaged to be raised by 3500 MWs, as against 2,000 MWs this year. Work on schemes with a total capacity of about 33,000 MWs would be in different stages of execution next year. The total generation capacity is expected to go up to 29,000 MWs by March 31, 1979.

The following are the highlights of the budgetary proposals for the next year:

(i) No change in the rates of income-tax, wealth tax or other direct taxes;

(ii) Increase in the rates of compulsory deposits by half a per cent from 4 to 4.5 per cent for the income slab up to Rs 25,000; by one per cent from 10 to 11 per cent for incomes between Rs 25,001 and Rs 35,000; by 2½ per cent from 10 to 12.5 per cent for incomes between Rs 35,001 and Rs 70,000 and by three per cent from 12 per cent to 15 per cent for incomes over Rs 70,000;

(iii) Discontinuance of the levy of a tax at 7 per cent on the gross amount of interest received by scheduled banks on loans and advances made in India;

(iv) Tax-payers investing in equity shares of new industrial units will be allowed a deduction, in the computation of their taxable incomes, of an amount equal to 50 per cent of the cost of such shares, the maximum investment qualifying for this purpose being Rs 10,000;

(v) Liberalisation of provisions relating to deduction in respect of long-term savings through life insurance, provident fund contributions and other approved media—the quantum is being increased in such a way as to allow a deduction in the computation of taxable income of the whole of the first Rs 5,000 of the qualifying savings, as against Rs 4,000 at present, and at 50 per cent for the subsequent Rs 6,000 and 40 per cent above that; the monetary limit of savings qualifying for these deductions is being increased from Rs 20,000 to Rs 30,000;

(vi) Modification of the provisions regarding long-term capital gains: (i) deposits with banks made from February 28, 1978, will not be regarded as a qualifying mode of investment for the purpose of exemption; and (ii) investment in shares of Indian companies made after February 28, 1978, will not be regarded as a qualifying mode of investment for the purpose of the exemption unless the investment is made in equity shares of new industrial companies;

(vii) Increase in the rate of initial depreciation allowance on the cost of new buildings erected by employers for their low-paid employees from the present 20 per cent to 40 per cent;

(viii) Increase in the standard deduction from rents for tax purposes in respect of newly constructed houses from Rs 1,200 to Rs 2,400 per unit;

(ix) Disallowing of part of the expenditure on advertisement, publicity and sales promotions in India in computing taxable profits at the following rates; (i) ten per cent in cases where aggregate expenditure does not exceed one-quarter per ce of the turnover or gross receipts of t business or profession; (ii) 12½ per ce where it exceeds one-quarter per cent b does not exceed half a per cent of t turnover or gross receipts; and (iii) 15 p cent where expenditure exceeds half a p cent of the turnover or gross receipts- this provision does not apply to cas where the aggregate expenditure on adve tisement, publicity and sales promotio does not exceed Rs 20,000 in a year an also in the case of newly established industrial concerns for the initial period c three years;

(x) Tax deduction at source at th rate of 34.5 per cent on horse race winnings in excess of Rs 2,500;

(xi) Slight modifications in the taxatio on Indian citizens employed abroad i respect of their liability under the India Income-tax Act;

(xii) Discontinuance of export marke development allowance after March 31 1978;

(xiii) Increase in the exemption limi for estate duty from Rs 50,000 to Rs 100,000;

(xiv) Imposition of excise duty varying from Rs 5 to Rs 10 a tonne on coal and two paise per kwh of electricity with

Eastern Economist 30 Years Ago

MARCH 5, 1948

The budget has been rearranged for the sake of clarity. The new sub-divisions are :—Defence Services—Effective : (a) Army, (b) R.I.N., (c) R.I.A.F. (d) Supplies and Stores; Defence Services—Non-effective and Defence Capital Expenditure. The net expenditure for 1948-49 under the various heads is : Army Rs. 65.52 crores, R.I.N. Rs. 5.65 crores, R.I.A.F. Rs. 12.93 crores, Supplies and Stores Rs. 25.76 crores; Defence Services—Non-effective Rs. 11.22 crores and Defence Capital Expenditure : Rs. 14.99 crores. The ratio between total expenditure and defence expenditure is important in asmuch as it reveals to what extent peace-time civil requirements are sacrificed for maintaining a big standing army. Out of a total capital expenditure programme of Rs. 76 crores, defence capital expenditure gets Rs. 14.99 crores which is roughly equal to 19.5 per cent. Considering the modernisation of our defence forces in general and the immediate development which awaits the R.I.N. and the R.I.A.F., this ratio is reasonable. But what really constitutes a disproportionate burden is the defence expenditure charged to revenue. It is Rs. 121.08 crores out of a total expenditure of Rs. 257.37 crores—about 47 p.c. The propriety of such huge expenditure relatively to the total expenditure nearly three years after the end of the war calls for serious notice. A comparison with other countries, which have a most up-to-date scientific and mechanised defence system and whose military interests transcend their national frontiers, is instructive. Information about the U.S.S.R. is far from precise, but one year back the defence expenditure in that country was believed to have been nearly 23 per cent of the total income. In the U.S. the percentage of defence expenditure to total expenditure in 1947-48 was 28.4 and in the U.K. it was 28 for the same year, certain exemptions for captive consumption and for agricultural purposes;

(xv) Increase in the general central excise levy from two per cent to five per cent ad valorem;

(xvi) Imposition of a special duty of excise at a flat rate of five per cent of the effective rate of basic excise duty on all items on which excise duties are levied;

(xvii) Relief to farm sector: complete exemption from new excise levy on power meant for agriculture, complete exemption on agricultural pumps and also on pesticides, insecticides, weedicides and fungicides falling under item 68;

(xviii) Grant of exemption from payment of excise duty to small-scale units on their first clearance of goods up to Rs five lakhs in a year, covering 69 items including industrial raw materials and finished consumer items such as acids, gases, dyestuffs, paints, tools, soaps and detergents, medicines, household electrical goods, etc—some 24,000 units are expected to benefit;

(xix) Grant of relief from excise duty to whole milk powder, three-wheeled autorickshaws used as taxis; small sized refrigerators of capacity of 100 litres and less, airconditioners when used for specified purposes such as in research laboratories, power stations, hospitals and computer rooms;

(xx) Reduction in the duty on feature films and prints of over one-year old films;

(xxi) Exemption to newspapers from excise duty irrespective of their circulation under item no 68; this exemption will also cover drugs; medicines, pharmaceuticals and drug intermediates which were so far paying two per cent ad valorem duty;

(xxii) Rationalisation of the tariff structure relating to lubricating oils and greases;

(xxiii) Modifications in the excise levies on coated fabrics, cigars and cheroots, tea waste, vegetable products for industrial purposes and non-cellulosic wastes;

(xxiv) Reduction in customs duties on specified items of capital equipment not produced indigenously from 40 to 25 per cent;

(xxv) Reduction in the duty leviable on condenser tissue paper and polypropylene film used in the manufacture of capacitors by 111 and 155 per cent respectively;

(xxvi) Increase in the import duty on polyester filament yarn from 120 to 200 per cent ad valorem;

(xxvii) Relief in customs levies in respect of specified items of cinematograph machinery, electronic components and imported feature films; and

(xxviii) Several modifications in the postal rates such as those pertaining to printed postcards, registration fee, under postal certificate despatches, registered newspaper bundles, book packets, acknowledgement fee, V.P. enquiry fee, late fee, recorded delivery articles, recall of inland postal articles, etc.

* *

While drawing up the railway budget for the next year, the minister for Railways, Prof Madhu Dandavate, is understood to have devoted a good deal of thought to some downward adjustments in the long distance passenger fares and freight rates on some commodities (primarily with a view to attracting the high-rated traffic to the railways), but refrained from making these changes at the present juncture lest he could he accused of pre-empting the report of the railway tariff enquiry committee which has commenced work recently. The fundamental structure of the railway fares and freight rates, thus, will have to await the report of this committee. The minor reliefs Prof Dandavate has announced in regard to the sleeper charges for second class passengers, surcharge on superfast express trains, reservation charges for second class sitting and sleeping accommodation and the restoration of the hill concession for specified stations to the pre-1975 level, he thought, did not wholly fall within the purview of the above committee. Another reason for not proposing any significant change in the freight rates and fares probably was the still sizeable indebtedness of the railways to the general revenues and the developmental needs of the railways.

Regarding social burdens on the railways, it is pointed out that India is the only country where such burdens have to be borne by the railway administration; elsewhere they are chargeable to the general revenues. Had the latter practice been followed in India also, the finances of railways and their development would have been in a much better shape. Also the practice of the return on capital invested in the railways to be met by them even through borrowings from the general revenues, despite the railways taking over part of the social burdens, entails an undue expenditure in the form of interest payable on the borrowings from the general revenue in years of deficit in the railway budget.

* *

According to the latest estimates, the expansions of the Bhilai steel plant and the Bokaro project from their present capacities of 2.5 million tonnes and 1.7 million tonnes ingots to 4 million tonnes ingots each by the turn of the 1980s would cost Rs 1,120 crores and Rs 1,072 crores, respectively. The government is also considering the possibility of expanding the Bokaro project to 4.75 million tonnes. The additional 0.75 million tonnes capacity is estimated to cost Rs 115 crores. It is felt that through introduction of technological modifications, the four million tonnes capacity of each of the two plants might yield somewhat larger output.

Owing to such factors as frequent restrictions/interuptions in the supply of power, particularly to the Bokaro, Durgapur and IISCO works, inadequate supplies of coking coal both in terms of quantity and quality, strikes at the Dugda and the Bhojudhi coal washeries in October last and indifferent industrial relations at some of the plants, especially at IISCO, the overall output of saleable steel at the six integrated steelworks at Bhilai, Durgapur, Rourkela, Bokaro, Jamshedpur and Burnpur has failed to come up according to expectations. During the 10 months to January 31, 1978, the total output at these works showed an improvement of only 1.2 per cent over the output during the corresponding period a year earlier, but fell short of the target by as much as 5.9 per cent. Of the five projects in the public sector, namely, Bhilai, Durgapur, Rourkela, Bokaro and IISCO, the production of saleable steel showed a marginal decline during the above period this year, compared to the corresponding period in the previous year, in the case of Bhilai (from 1.68 million tonnes to 1.614 million tonnes), Durgapur (from 0.73 million tonnes to 0.725 million tonnes), and IISCO (from 0.42 million tonnes to 0.412 million tonnes). There was a marginal increase—from 0.959 million tonnes to 0.965 million tonnes—in the case of Rourkela. The output at the Bokaro steelworks, however, showed a marked improvement from 0.589 million tonnes to 0.719 million tonnes owing to more units of the 1.7 million tonnes stage being commissioned for commercial production. The output at the Jamshedpur works is stated to have been slightly better than the previous year's level.

significant improvement

The short-fall from the target during the whole of the current financial year, however, may not be as much as experienced during the first ten months. The production during February and March is expected to show a significant improvement owing to the increase in the supplies of power as well as coking coal. The overall daily output of coal is stated to have registered nearly 25 per cent increase during three months to January—from 2.68 lakh tonnes to over 3.34 lakh tonnes.

The differences between the steel plants and Coal Indian Limited over the judicious level of coal supplies to the steel plants, however, continue. The present differences probably have their genesis in the controversy over the proposed import of one million tonnes of coking coal. Whereas according to Coal India sources, the supplies of metallurgical coal to the steel plants during the nine months to December last had been 8.3 per cent more than in the corresponding period in the previous year and should have improved following the above-mentioned 25 per cent increase in the daily output during the three months to January, the ministry of Steel has stated in reply to a question in the Lok Sabha last week that stocks of the steel plants have come down to "unacceptable low levels". In the interest of buttressing its arguments in favour of importing one million tonnes of low ash coking coal, it has stated this factor as well as the availability of indigenous coal during 1978-79 falling short of increased requirements substantially, besides the other arguments which include the following:

(i) Imports of low ash coal would help to arrest the trend of deterioration in quality of indigenous supplies and increasing ash content which have been causing serious technological problems at the steel plants.

(ii) Blending of low ash imported coal would yield significant gains in productivity and production at the steel plants.

(iii) The foreign exchange position is extremely good and we should take advantage of this to step up production in the steel sector where demand is picking up. Imports of some coking coal would also extend the life of our limited reserves which are non-replenishable.

(iv) With a view to conserving the limited reserves of coking coal in the country, it is desirable to gain experience in the optimum blending and use of imported low ash coking coal.

(v) Due to the current recession in the world steel industry, the present is an opportune juncture for obtaining competitive prices for imported coal.

It is stressed by the steel plant authorities that their operations are being affected because of the ash content in domestic coal in the recent years going up to about 20 per cent from the design norm of 16.5/17 per cent. As a result, the ash content in the blast furnace coke has increased to as much as 26/28 per cent, as against the design specification of 22/23 per cent.

As a sequel to Hindustan Steel Limited, which owns and administers the Bhilai, Rourkela and Durgapur steel projects and the alloy steels plant at Durgapur, making significant profits since 1973-74, the cumulative loss of HSL, which had aggregated to as much as Rs 250.88 crores by the end of 1973, came down to Rs 85.8 crores as on March 31, 1977. It is expected to be substantially reduced further by the end of this year. The Bokaro steelworks had accumulated by March 31, 1977, a loss of Rs 42.73 crores. By then, the total investment in HSL had been of the order of Rs 1,591.7 crores and that in Bokaro Rs 1,194.9 crores.

* *

The Ganga-Cauvery project envisages pumping of water of the Ganga for about 150 days during the high flow period and linking the Ganga with the Cauvery b canal passing through the basins of Sone, Narmada, Tapti, Godavari, Kris and Pennar to meet partially the wa demand of the drought-prone areas of region.

The Garland canal scheme as per latest revision, comprises the following

(i) A Himalayan canal connecting Ravi to the Brahmaputra—1,500 miles l 1,000 ft wide and 40 ft deep with over integrated lakes (each about 30 miles mile×90 to 100 ft deep)—along southern slopes of the Himalayas at elevation varying from 1,500 ft to 1,1 ft above the mean sea level; the cana proposed to be extended to 1,100 mi beyond the Brahmaputra with about integrated reservoirs;

(ii) Subsidiary canals from the Him layan canal at right angle at intervals two miles;

(iii) Central and southern Garland ca about 5,800 miles long between elevati of 1,000 ft and 800 ft above the mean s level encompassing the central plateau a southern peninsula, with 200 integrat reservoirs on the various rivers and subs diary canals at two miles intervals fro the main canal;

(iv) Connecting the Himalayan a Garland Canal by five pipes of 12 ft di meter each (which can be increased, necessary) at two points for transfer waters from the Himalayan canal;

(v) Construction of a reservoir ne Nagaur, in Rajasthan, with a capacity 300 million acre ft; and

(vi) Storage with a capacity of 100 mi lion acre feet on the Sone river.

Many complex issues are involved the scheme. These relate to technica feasibility, economic viability, legal an environmental aspects, etc. They are unde study. It will take some time for the final sation of the view on it. The time schedul for the scheme as well as the investmen to be incurred on it can be decided onl then.

REGISTRATION OF MANUFACTURERS AND PACKERS UNDER STANDARDS OF WEIGHTS AND MEASURES (PACKAGED COMMODITIES) RULES 1977

Under Rule 35 of the Standards of Weights & Measures (Packaged Commodities) Rules, 1977—every individual, firm or company prepacking any commodity for sale, distribution or delivery is required to send an application alongwith the registration fee of Rs. 5/- to the Director, Legal Metrology (Directorate of Weights & Measures). The fee is to be credited to the Pay and Accounts Officer of the Ministry of Civil Supplies and Cooperation, New Delhi by a Demand Draft payable at the State Bank of India, Rail Bhavan, New Delhi. The Demand Draft, however, should be sent to the Directorate of Weights & Measures alongwith an application for registration The application should be submitted in the following performa:-

APPLICATION FORM OF REGISTRATION UNDER RULE 35

1. Name of the applicant: ____________
2. Complete address: ____________
3. Location of the factories: ____________ ____________
   i) ____________
   ii) ____________
   iii) ____________
   iv) ____________
4. Name of the commodity or commodities prepacked by the applicant: ____________

Date ____________

Place ____________

Signature

davp 77/515

Issued by; Directorate of Weights & Measures, Ministry of Civil Supplies & Cooperation, Government of India, Shastri Bhavan, New Delhi-110001

Need for technology assessment in developing countries

Dr Dwijesh Dutta Majumder

According to the author who is head of the department of Electronics and Communications Sciences, Indian Statistical Institute, Calcutta, the concept of Technology Assessment though of recent origin, is highly innovative and represents a comprehensive analytical strategy to achieve more effective public management of national resources for the socio-economic or technological change.

POINT OF VIEW

EVEN IN developed countries Technology Assessment (TA) is a relatively new concept. It appears to be highly innovative and offers particular opportunities for improved industrial policy and decision making in developing countries. The concept of Technology Assessment was developed about ten years ago by a former Congressman of USA, Emilio Q. Daddario, who is at present director of the office of Technology Assessment of the US Congress.

In Daddario's words this new analytic approach may be described as: "Technology Assessment is a form of policy research which provides a balanced appraisal to the policy-maker. It identifies policy issues, assesses the impact of alternative courses of action, and present findings. It is a method of analysis that systematically appraises the nature, significance, status and merit of the technological programme. It is designed to uncover three types of consequences—desirable, undesirable and uncertain. The focus of TA will be on those consequences that can be predicted with a useful degree of probability."

widespread confusion

In spite of this lucid description from the founding father of this concept there exists a widespread confusion in the literature on the subject. As for example some people consider TA to be synonymous with technological forecasting, engineering feasibility, market research, cost-benefit analysis, technology transfer, technology diffusion or environmental impact assessment or an independent academic discipline.

In my opinion it represents a comprehensive analytic strategy to achieve more effective public management of the national resources for the socio-economic and technological change. The analysis should include short-term requirements and impacts and long-term consequences on society in the fields of economy, the physical environment, institutions, culture, the social structure, ethical and moral values and the law. The major objective of such study, of course, is to enable policy planning bodies and decision makers to determine how best they could employ various policy interventions during preliminary phases to better ensure its socio-economic desirability.

In the last five years or so Comprehensive Technology Assessment have been carried out on very diverse fields such as the artificial heart, the antomobile, the offshore oil drilling, the inter-city transportation system, cloud seeding and the video phone system.

Though science and techonology are definitely the quintessence of the good life in our civilisation, there is a growing awareness today, about the unanticipated and unwelcome social costs of various technological achievements. Some of them are radioactive waste disposal of nuclear power plants, invasion of privacy by electronic computer technology, noise pollution by supersonic airplane, air pollution by automobile, demise of wildlife because of pesticides, and possibility of changing the sex ratio in a population by amin centesis etc.

The primary utility of TA is that it ma provide an early warning based on som mathematically systematic evaluatio about the introduction of the new technology. For example a comprehensive T conducted on birth control pill in 'fifti would have alerted the health planne and decision makers to the advisabilit of conducting further field tests o biological side effects and other aspects.

interdisciplinary effort

In the present state of the art of T practices there exists a battery of tools an techniques which can be carried out wit the halo of suitable mathematical method such as dynamic modelling, cross impac analysis, factor analysis, opinion surveys sensitivity analysis, input-output analysis Delphi etc. which are derived fro different systems fields such as, system analysis, operations research, psychology management sciences, economics an engineering. A comprehensive study wil have to examine specific technology being assessed with microalternatives and macroalternatives. By microalternatives w mean specific alternatives including the sizes to achieve the same purpose and by macroalternatives we mean system alternatives which approach the problem in a different way. It is obvious that TA as we have expounded is a multidisciplinary effort. But it is also an interdisciplinary effort as the study must include the complex interactions among the various disciplines.

At this stage it should be noted that Technology Assessment offers no panacea to the complex societal problems, it only offers a coherent framework for examining what is needed to bring about more orderly and effective societal change, for identifying potential problems resulting from the introduction of technologies and for developing policies to ameliorate, liminate or circumvent undersirable npacts and consequences, and help in urmounting the more costly type of rrors. When, in advanced countries cceptance of TA concept is gaining monentum after committing many costly nistakes, we in the developing world can robably avoid those and many more nistakes. The government should therefore hink of incorporating Technology Assessment boards and offices at different levels of policy formulations.

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Engineering industry in the development process

P. K. Nanda

In these extracts from a paper presented by Mr P. K. Nanda of the Association of Indian Engineering Industry to the Third International Seminar of Economic Journalists held in New Delhi recently, the role of the engineering industry in national industrial development and international economic cooperation is discussed with particular reference to the progress of this industry in our country.

ECONOMIC DEVELOPMENT, whether in advanced or backward nations, has meant no more than the generation of value-added. The process involves the creation of surplus for further investment. The development of a nation from a primitive agricultural society to an advanced industral state is marked by the rise in the use of technically sophisticated, capital intensive and intricate means of production for adding more value. With the spread of the industrial revolution, the concept of "mechanical advantage" was extended to all spheres of activity and "machines" came to be used extensively to increase the productivity of the basic factors of production—natural resources and labour. Engineering equipments became an inseparable part of any production system.

The need for higher rates of capital formation saw the rapid expansion of the engineering industry. Today in any economy, the engineering industry has the most elaborate intersectoral relationships, a great degree of backward and forward linkages, and greater substantial interdependence between agriculture and industry. Therefore, it acts both as a path-finder and as a pace-setter to any development process.

Capital and technology are inextricably linked with the engineering industry. It is mainly these two factors which differentiate an underdeveloped economy from a developed one. The lack of investible capital in an underdeveloped economy hampers further capital formation and technological change. The developed states, on the other hand, have reached high levels of capital formation and even the quick pace of technical progress cannot cope with the diminishing rates of returns. New frontiers and virgin territories have thus been the only answer to the further advancement of developed countries.

Similar to the flow of water from a higher to a lower level, the supply shortages in the poor nations and demand constraints of the advanced ones have initiated the international flow of capital and of technology. The development of backward areas has become an integral part of the growth of advanced states. Economic trade, exchance and mutual dependence is a part of the world order today.

Thus, the advance of the engineering industry and the growth of international cooperation have been the main cornerstones of modern economic growth.

In all the economies whatever be their system, the engineering industries have emerged as the fastest growing sector. Electrical machinery and transport equipment industries have experienced the most rapid progress. Growth in metal product industries has also been relatively high. The growth in basic metal industries, though quite high in developing and planned economies, have been low in the developed economies, probably signifying their stages of saturation. The variance between the growth of various sectors has been more marked in developing and planned economies:

	(per cent growth 1975 over 1970)		
	Developing market economies	Centrally planned economies	World
Electrical machinery	90	75	36
Transport equipment	92	70	30
Metal products	72	70	33
Basic metal	42	39	13
Manufacturing	40	53	25
All industry	35	51	24

(Source : UN Yearbook).

Last, cross-section studies reveal that there is also a high degree of correlation between the growth of engineering industry, measured by the production of steel and the extent of economic development, measured by per capita national income, as can be seen from Table I.

Having looked into the importance of engineering industry and international cooperation, we study the case of India, which provides a synchronisation of the various economic systems. It is a combination of market forces and planning, private enterprise and state control, self-reliance and economic dependence and developed, though not always advanced technology.

TABLE I

Correlation between Steel Production and Economic Development

	Per Capita (US $) GNP	Steel Production	
		Total ('000 MT)	Per Capita (kg)
United States	6670	132018	623
Germany FRG	6260	53233	858
Canada	6190	13593	605
Netherlands	5250	5833	431
UK	3590	22504	402
Hungary	2180	3500	335
Bulgaria	1780	2300	265
India	140	6966	12

The post-independence development strategy was based on the philosophy of mixed economy. The private sector was allowed to operate while the public sector took the commanding heights and the public utilities. The planning process guided the economy to growth with social justice and the various government policies controlled the private sector. At the initial stages, the bias was towards heavy industry and infrastructure development, which gradually gave impetus to the consumer goods industry also. The development of the small-scale industry provided the answer to the limited market and capital and to the employment problem. The growth of the large scale industry was pampered wherever there were efficiencies of scale.

There were, however, some snags in the implementation of the policy. The best ratios, assumed for planning, were never attained in reality. Policies pursued sometimes ran counter to each other and thus thwarted the growth process. There was an obvious bias for self-reliance at various phases of development with strict control on the import of capital and technology. This had two beneficial effects : first, the development of domestic technology and second, the flow of foreign resources to only deserving projects. Such monitoring of international flow of resources struck an optimum balance between self-reliance and economic dependence. As a result, India is fairly self-sufficient today as far as technology is concerned.

In the area of international dependence, the Indian example is unique. Its political belief in "non-alignment" was reflected in its economic activity also. Donors to India included the capitalist nations, the socialist bloc, the world bodies and even Third World countries. Another important feature was the use of foreign capital and technology for developing the infrastructure for the engineering industry. Steel, for example, got utmost priority and this paved the way for the development of the engineering industry. Foreign economic inflows were suitably used by India to build the base for self-reliance.

creditor country

Today, the engineering industry has not only succeeded in substituting most imports but through growing exports has put India on the creditors' list. In the post-oil crisis period when all other countries found their trading position jeopardised, engineering exports helped India to achieve a positive balance of payment position. India today is not only the 10th largest industrial nation but is also in the process of aiding development in other relatively underdeveloped countries. External assistance extended by India has been showing a rising trend :

(Rs. million)

	Authorised	Utilised
Up to 1961	300	290
1961-1968	970	830
1969-1974	3090	2490
1975	500	440
1976	710	610

Source : Reserve Bank of India

We now turn to the engineering industry in India, which has been instrumental in placing India in an advantageous pos tion in the international sphere.

Over the last two decades, the enginee ing industry in India has witness spectacular development. The post-ind pendence development strategy was aime at rapid industrialisation with a bias t wards heavy industry, and this, in tur called for high technological capabilitie The engineering industry provided th answer and it became the tool for develo ment in all spheres and acted as the piv of the Indian development process.

In the period 1962-75, the share of th engineering industry in the manufacturin sector has shown the following growth:

(Percentages)

	1962	1975
Share in output	17	30
Share in employment	20	29
Share in value-added	20	35

It should be noted that the growth i value-added has been relatively highe than the growth in both output an employment. This must be appreciate in the light of the fact that the share i national income of value-added by al manufacturing industries, has over th same period, increased from 15 per cent to 17 per cent.

Even during the period 1971-76, when the world economy was hit by one of the worst recessions, the Indian engineering industry grew at an average rate of six per cent per annum. During the same period the manufacturing sector and the Indian economy grew at four per cent per annum and three per cent per annum respectively. The engineering industry was responsible for maintaining the pace of industrialisation and thus ensuring an overall economic growth.

The capacity utilisation in the engineering industry would appear to be higher than the average for all industries. This signifies the better utilisation of installed capital resources by the engineering industry in a capital-scarce economy like ours.

Though there is a slight concentration of engineering industries in the states of

Maharashtra, West Bengal, Tamil Nadu and Bihar, its position in other states is also significant (Table II). The distribution of engineering industry by states is also shown in Table III. Even in relatively underdeveloped states, the engineering industry has a significant share in the industrial activity. The engineering industry accounts for 55 per cent of the productive capital in Assam, 40 per cent of the employment in Goa, 46 per cent of the output in Orissa and 45 per cent of the value-added in Madhya Pradesh.

TABLE II

Share of Engineering Industry in Industrial Activity within Each State—1973-74

(% of total industry)

	Productive capital	Employment	Value of output	Value added by manufacture
Andhra Pradesh	18	13	14	20
Assam	55	17	5	9
Bihar	27	30	41	44
Haryana	65	48	27	39
Gujarat	6	8	6	8
Himachal Pradesh	4	21	13	23
Karnataka	29	27	30	37
Kerala	9	6	7	7
Madhya Pradesh	51	28	36	45
Maharashtra	16	17	17	19
Orissa	50	30	46	49
Punjab	5	13	14	17
Rajasthan	11	16	15	19
Tamil Nadu	16	19	20	26
Uttar Pradesh	13	18	15	22
West Bengal	30	19	24	24
Delhi	4	10	9	11
Goa, Daman, Diu	7	39	21	28
All India	29	30	31	34

The achievement of the Indian engineering industry is not restricted to the private sector only but extends to the public sector as well. It accounts for nearly 42 per cent of the investment in central public sector undertakings. It also accounts for 30 per cent of the employment in industries in the public sector. The output of the engineering units in the public sector is around Rs 24,300 million.

In a capital-scarce labour surplus economy like ours, the engineering industry has helped in efficient utilisation of factor-resources. Compared to manufacturing industries as a whole, the engineering industry has a favourable capital output ratio, signifying more output from the same capital invested. Its capital-labour ratio is favourable indicating more employment generation from a given capital base and the value-added per employee is also higher signifying higher productivity.

	Engineering industry	All manufacturing industry
Capital/Output ratio	0.5	0.7
Capital/Labour ratio	2.2	3.0
Value-added per employee (Rs.)	12322	10046

(Computed from Annual Survey of Industries 1974-75).

However, in specific cases, the technology in the engineering industry has to be capital-intensive for the sake of operational efficiency. Even in such cases, the productivity of capital (specially at the margin) is higher than the alternate

TABLE III

Relative Shares of States in Engineering Activity

(% to all India totals)

	Productive capital	Invested capital	Employment	Total output	Value added
Andhra Pradesh	3.0	4.2	2.9	2.6	2.9
Assam	2.5	1.9	0.8	0.2	0.4
Bihar	6.5	6.3	4.7	6.5	6.3
Haryana	6.2	5.2	3.9	2.1	2.4
Gujarat	1.6	1.6	2.4	1.9	2.1
Himachal Pradesh	0.1	Negl.	0.3	0.1	0.1
Karnataka	4.5	3.9	4.7	4.1	5.5
Kerala	1.0	0.8	0.8	0.6	0.6
Madhya Pradesh	11.1	9.4	3.9	5.3	6.4
Maharashtra	10.2	11.6	10.6	13.9	14.7
Orissa	6.1	5.8	1.7	2.3	2.8
Punjab	0.5	0.6	1.1	1.5	1.1
Rajasthan	1.2	1.1	1.1	1.0	1.0
Tamil Nadu	4.7	5.1	6.2	6.2	7.2
Uttar Pradesh	4.9	5.3	4.5	3.5	4.1
West Bengal	10.7	10.5	9.7	9.2	9.4
Delhi	0.2	0.2	0.6	0.5	0.5
Goa, Daman, Diu	0.1	0.1	0.2	0.1	0.1
ALL INDIA	100.0	100.0	100.0	100.0	100.0

Note: The figures do not add up to 100.0, due to the fact that information was not available for a few states/union territories and with the states, included above, information was not separately available for some of the industries and therefore could not be covered in the analysis.

Source: Annual Survey of Industries, 1973-74, Central Statistical Organisation.

technologies available. Such rational use of capital is not only desired but is necessary for longer term objectives of rapid industrialisation, export promotion and import substitution.

The engineering industry has made significant contribution to the small-scale sector. It accounts for 45 per cent of employment, 52 per cent of investment, 49 per cent of output and 46 per cent of value-added in the small-scale sector. Even of the 177 items hitherto reserved exclusively for the manufacture in small-scale level, 134 were engineering items. In the latest policy, such reservation has been extended to 251 industries out of a total of 504. The growth of engineering industries in the period 1972-75 at 116 per cent, has been higher than that for other industries at 98 per cent. As a result, the share of engineering industry rose from 48 per cent to 53 per cent in the same period. The productivity and return on capital of the engineering industry are also relatively favourable.

	Engineering industry	All industry
Productivity (value-added per employee in Rs)	5246	5087
Ratio of gross output to fixed capital	2.5	2.4
Ratio of value added to fixed capital	0.8	0.7

Source: Report on the Census of SSI

The role of the engineering industry in accelerating the process of development in other sectors is also substantial. Through its backward and forward linkages, which is the maximum compared to any other industry, it not only supplies inputs to other sectors but also creates demand and thus ensures growth in the output of other sectors. The contribution of the electrical and transport equipment industries to the infrastructure of the country is well known. The agricultural tractors, pump sets and other farm machinery are today helping even the smallest of the farmers. The small electric motors, sewing machines and other appliances are inextricably linked even with the traditional value craftsman in the various cottage industries. The engineering industry has indeed successfully blended the wonder of India's tradition with that of modern science. Needless to say, engineering industry has also helped considerably to improve the quality of life. Cycles, torches, transistors, lanterns and watches are common household items even in the remotest of Indian villages.

a success story

Moreover, the story of engineering exports is a story of success. Exports of engineering products more than doubled in the short span of four years, 1973 to 1976. Its share in total export grew from seven per cent to 11 per cent over the same period. The growth in the export of engineering goods reflects the sophistication and diversification in the domestic industrial base. Exports now comprise diverse plants and equipment including design engineering, fabrication and erection of whole industrial and infrastructure projects.

There has also been gradual diversification in terms of both products and territories. The spread of engineering export by territories is shown below:

(Rs million)

	1973-74	1974-75	1975-76	1976-77
Asia and Africa	1320	2500	2960	3960
America and West Europe	380	670	740	1050
East Europe	180	210	300	380
Others	50	110	80	110
Total	1930	3490	4080	5500

Source: EEPC Handbook

On the other hand, there was a sizeable deceleration in the growth of imports during 1976-77 due to the growing trend of domestic production. In this year imports of iron and steel and non-ferrous metals dropped by 28 per cent and 45 per cent respectively. There have been various other examples of total and partial import substitution.

The Indian engineering industry has been partner in joint ventures abroad.
The industry in India is now in a pos
not only to establish complex indus
without technical assistance from for
manufacturers, but is also equipped
offer a wide range of consultancy serv
to developing countries for the implem
tation of industrial schemes. The count
in the middle east specially have off
great potential, mainly in infrastruct
projects. Joint projects extend to develo
countries too, for example, machine to
in West Germany, electrical machinery
the USA and, even engineering con
tancy in the USA. The technical com
tence of the Indian engineering industr
an accepted fact now The share of en
neering industries in total Indian jo
ventures abroad is as follows:

	In production	Under imp mentatio
Total	68	108
Engineering	28	52
Share of engineering	42%	48

Source: II

The engineering industry in India h
interacted with the world bodies for t
development of trade and exchange. T
Association of Indian Engineering Indust
(AIEI) had played a crucial role in th
development. It has set up a coordinati
forum and facilities with internation
agencies like UNIDO, ADB, etc, h
started to establish international offic
for information exchange and tra
enquiries and has given a new dimensi
to export promotion and marketing
organising the first, and now the secon
Indian Engineering Trade Fair. It h
also sponsored a series of trade missio
to selected countries. The first tra
mission covered Kenya, Zambia, Egy
and Libya. The second mission cover
Iran, Iraq and Kuwait. The third missio
visited Indonesia and Australia. Th
fourth, led by the president AIEI, visite
Malaysia, the Philippines, Thailand an
Singapore.

Indian engineering exports are findin
major areas of opportunity in the variou
projects in the developing countries
south-east Asia, Africa, west Asia, et
which are being financed by the Worl
Bank, the IDA, the ADB and othe

financial institutions. These projects are offering tremendous scope to firms and consultants to undertake turnkey projects and supply machinery, equipment and services. The AIEI maintains liaison between the exporter and the world bodies including ESCAP.

The Indian engineering industry has faced several hurdles and bottlenecks in the course of its development. We have seen that an important objective of industrialisation in general and development of the engineering industry in particular has been to iron out economic fluctuations arising from agricultural cycles. Yet, paradoxically, during the early stages of economic development it is precisely these cycles that have a dampening effect on the growth of industry because of the latter's dependence on the agricultural sector for both inputs and markets. India has been no exception. Only now are signs that the economy has advanced sufficiently so that industry is beginning to be immune to agricultural fluctuations.

Second, while in conception today's policy of "mixed economy" was right, there have been problems arising from its detailed implementation. In working out sector-wise developmental programmes, the input-output balances have often not been worked out carefully enough. Doctrinaire emphasis on the small-scale and public sectors have led to imbalances. Poor management of the public sector has led to shortage of vital inputs.

a retarding factor

Consequently, intersectoral bottlenecks also have acted as a retarding factor. Short supply of crucial raw material and power had a braking effect not only from the supply side but also from the effect on demand due to the depressions it had on industrial activity. The strict control of import was also a negative factor.

Fourth, the fiscal policy in particular had failed to be a catalyst to industrial growth. It had, with the high rates of levies, shrunk the domestic demand. It was responsible for the transfer of investible surplus from industry into other unproductive sectors. This transfer of savings has been a great set-back for Indian industry, particularly engineering with its relatively high capital intensity.

Fifth, the choice of technology and the scale of operation has not always been optimum and the government policies are mainly responsible for this. The public/private sectors and the small/large industries have not always acted as complementary to each other.

Sixth, the excessive, and generally bureaucratic bias for self-reliance and the apathy towards foreign capital and technology has probably had an opportunity cost in terms of growth.

Last, there have been social and political barriers. Lack of education and scientific knowledge among the masses restricted the market for industrial goods. The high degree of poverty curtailed purchasing power. Labour unrest has also been a chronic malady.

In spite of these factors the engineering industry has shown spectacular achievements and has generated the process of industrial development in India.

tasks ahead

The development of the backward countries warrants the pacing up of the rate of capital formation. Among the various alternatives, rapid industrialisation provides the quickest solution. As discussed, the engineering industry is the hub of any industrialisation process. The rapid development of the engineering industry is the *sine qua non* for breaking the vicious circle of poverty in the Third World countries.

The constraints on capital and technology in these countries hamper the progress of the engineering industry and hence the need for international economic cooperation. Such cooperation, as we have discussed, is of mutual benefit without which a global stagnancy might well occur.

Regarding the tasks of such cooperation, the following points are for consideration:

(i) The international supply of capital is too meagre compared to demand and hence should be rationed. It should flow into sectors which provie the best returns, at the margin, to this investment. The engineering industry with its input-output linkages provides a solution, and investment in this industry has a multiplier effect. Flow of investible capital to other sectors might not produce the desired result and could generate serious inflation and imbalances.

(ii) The flow of technology should be such that it suits the capital-labour intensity of the importing country. This is a must for minimising factor cost. In this area the intermediate economies could provide a more suitable technology to the backward economies.

comparative advantage

(iii) International exchange should be based on the principle of multilateral comparative advantages. Each factor should emanate from the source which is the cheapest. It should be borne in mind that the countries that provide the cheapest source of capital might not be the source of the minimum cost technology. Only on this basis can the underdeveloped countries achieve the "least cost path" of development.

(iv) Ensuring stability from fluctuations is yet another task for the new international order. This could be achieved through world buffers, commodity loans and development of substitutes. Such stability is again of mutual benefit.

(v) Closely related to the above is the question of international inflation. Artificial bottlenecks and "export" of inflation require special attention from world coordinating institutions.

(vi) In underdeveloped countries of today, areas requiring intensive support are:

(a) **Infrastructure:** Expenditure on "social overheads" is beyond the means of most developing countries. The development of such overheads, however, is a pre-condition for growth. Areas of interest are power, transport, communication.

(b) **Engineering industry:** As already discussed.

(c) **Agriculture:** As underdeveloped countries are mostly agricultural, a growth in productivity in this sector is crucial for maintaining the intersectoral balance. Irrigation and processing should get maximum thrust.

(d) **Export:** Development of exports is necessary to equate the balance of payment with high inflow of developmental resources.

(e) **Science and technology:** Development of scientific education to ensure growth of domestic technology.

(vii) **Expansion of market**: To benefit from the efficiencies of scale there should be greater economic integration, removal of trade barriers, liberal import policy in developed countries, etc. Regional planning based on inherent advantages could be thought of.

(viii) **Mutualism**: Last by not least, the spirit of cooperation for development. In this context. AIEI has from time to time stressed the role that international agencies (like UNIDO, UNDP, ESCAP, IBRD, IDA, ADB, etc) should play in promoting cooperation amongst developing countries. These international agencies must act as the focal point through which cooperation must flow and help by providing the necessary finance, organisation and indeed the international understanding. Some of the areas which deserve priority attention in this connection are listed below.

Most developing countries are currently passing through a phase of development which relatively developed countries like India passed through a few years back. The latter have already developed equipment, technology and know how relevant to the basic needs of generating maximum employment and optimum utilisation of physical and human resources. These countries have a lot to offer to the other developing countries by way of sharing their capacities and capabilities in the engineering field; manufacture, supply and installation of turnkey projects; cooperation in joint ventures; and provision of technology know-how, skills, products, consultancy services, and plant and equipment.

Another area where capital-scarce developing countries can help one another is development of small-scale industry with low capital-labour and capital-output ratios. For example, India has so far rendered assistance to more than 35 countries for the development of small scale industries. The assistance rendered covers techno-economic and feasibility studies, preparation of project report, in-plant studies, training of foreign personnel; setting up and running of industrial estates, deputation of experts and setting up of common facility centres.

There is much scope for cooperative trade expansion, clearing and reserve mechanism, insurance and export credit, and development banking.

Likewise, there should be greater regional cooperation in transport and communication covering highways, railways, shipping (bulk handling, shipping facilities, freight rate) and ports, telecommunication and postal services, tourism and air traffic.

Producers of raw materials and co modities need to cooperate much mo with a view to ironing out supply a price fluctuations through coordination production and supplies; meeting comp tition from synthetic and substitutes; fin ing long term methods of productivi improvements; financing and runni common research and development pr grammes; diversifying the base of produc and processes; and improving quality an packaging.

There is an immediate need to establis regional centres for transfer and develo ment of technology and sectoral centr of cooperation among developing cou tries. An Asian centre for transfer technology has been established in Indi on the initiative of ESCAP in coopera tion with UNCTAD.

From the "Robinson Crusoe" econo mies to the new industrial states, it ha been a march of the engineering industr and international cooperation. Plannin in a mixed economy has paved the wa for development. A synthesis of econo mic dependence and self-reliance has bee conducive to growth. The future deve lopment of the world requires an optimu combination and distribution of availabl resources. Only through such multilate ral optimisation can the "least cost path" of development be achieved.

Opportunities for automotive ancillary industry

B. R. Sule

Along with the quantitative growth, there has been a qualitative development in the automotive ancillary industry and the total value of production of this industry touched a peak of Rs 200 crores mark in 1974-75, as against an output of just Rs 2 crores during 1955-56. These observations were made by Mr B.R. Sule, Executive Director, Mahindra & Mahindra Ltd, at a special seminar held on January 28, to commemorate the completion of 20 years of Maharashtra Economic Development Council.

THE MAHARASHTRA Economic Development Council (MEDC) deserves unstinted praise for its many contributions in the cause of development of the country in general and the state in particular.

By a happy coincidence it so happens that the two decades of active and useful service rendered by MEDC since its formation in 1957 also cover by and large a period of rapid growth for the automotive ancillary industries. Before we try and look into the future for the auto ancillary industries, we will do well to review their past performance and present position.

The total value of auto ancillary production touched the Rs 200-crore mark during 1974-75 as against the output of barely Rs 2 crores during 1955-56. This represents an impressive hundred-fold increase. What is more important than this quantitative growth is qualitative development, measured in terms of extended range of production, and improved standards of quality. With this growth and development of the ancillary industries, import requirements of the main automotive industry were almost reduced to the fraction of one per cent. More than this, our auto ancillaries have now earned for themselves a good name in overseas markets of developed countries resulting in substantial exports. This is indeed a creditable achievement especially when one considers the many difficulties faced by the early entrepreneurs such as paucity of capital equipment, raw materials, qualified technicians etc.

Automobile production in the country was started in the 1940s. However, most of the vehicles in the initial years were assembled almost completely out of imported components. It was in the mid-fifties that the government decided to embark on policies which required phased progressive manufacture of cars and trucks out of steadily increasing indigenous components. At the time of this major shift in policy for the automobile industry, the ancillary industries in existence were mostly battery, tyre and paint manufactures. From this small and restricted beginning, the automobile ancillary industries have today grown and developed into a broadbased network of small and large units all over the country turning out a great variety of finished and semi-finished components, which range from simple bolts and nuts to complex precision products such as taper roller bearings, fuel injection equipment etc.

small scale sector

Apart from some of the vehicle manufacturers who have their own capacity for certain ancillary items, there are at present 169 units in the organised sector manufacturing auto ancillaries. Besides, there is a large number of units in the small-scale sector which is also engaged in the production of auto ancillary items. The value of production of the small-scale units in the unorganised sector is estimated to be of the order of Rs 50 crores in 1974-75. While 50,000 persons are provided direct employment at present in the organised sector, the small-scale units are estimated to employ 14,000 persons. The investment in the organised sector by way of plant and machinery is estimated at over Rs 80 crores. Comparative data as regards the small-scale units investment is not readily available.

Government has prepared a list of some 144 major groups of automobile component items which are normally reserved for manufacture by ancillary industries. It may be added that ancillary industries in Maharashtra produce as many as 119 out of these reserved 144 product groups. There is a further list of 37 items which may be produced either by vehicle manufacturers or by ancillary units. It is presumed that the remaining components would normally be produced by vehicle manufacturers. The following 28 ancillary items are now reserved for exclusive development in the small-scale sector:

Automobile radiators (except for expansion on merits); Electric horns; Exhaust mufflers; Autoleaf springs; Fuel tank caps; Fuel lines; Wiring harness; Tail lamp assembly: Side lamp assembly; Stop lamp assembly; Bulb horn; Horn buttons; Seats for bus and trucks; Ornamental fittings; Rear view mirrors; Sun shades; Luggage carrier; Tyre inflators (both hand & foot-operated); Ash trays; Hub caps; Wind shield wipers (arms and blades only); Electrical fuses; Electrical fuse boxes; Battery cables and fittings; Steering wheels; Spokes and nipples; and Sun visors.

Out of 169 units in the organised sector, 105 units have been established on the basis of foreign collaboration for the use of imported technology. The continued inflow of new, uptodate modern technology from abroad is one of the problems facing the industry which will be considered later.

Out of the 105 units with foreign technical collaboration, 43 units have financial participation from their foreign affiliates. In a few cases the foreign equity participation is more than 48 per cent.

production items

In terms of production, about ten products, namely: (i) Piston assembly; (ii) Fuel injection equipment; (iii) Radiator; (v) Thin wire bearings; (v) Starter motors and generators; (vi) Clutch assembly; (vii) Transmission gears; (viii) Wheels; (ix) Leaf springs, and (x) Brakes account for about 70 per cent of the total value of production in 1974-75 (i.e. about Rs 140 crores out of Rs 200 crores). As some of these products need sophisticated technology and are highly capital intensive, most of the ancillary firms in the organised sector are either "controlled by larger houses" or are "FERA companies". Out of the total value of production of Rs 200 crores by 169 units in the organised sector, the share of such "special" units numbering only 15 is around Rs 130 crores or 65 per cent.

To complete this profile of the auto ancillary industries, we now give whatever limited local data is available in respect of Maharashtra. The Annual Survey of Industries does not have a specific industry group for auto ancillaries. However, it gives state-wise data in respect of the industry group—transport equipment and parts. The latest data for 1974-75 gives the share of the three states in the total value of output of "transport equipment and parts" group in the country (in per cent):

Maharashtra	25
Tamil Nadu	17
West Bengal	16

From this it will be seen that Maharashtra not only leads but contributes a significant share of production in this group. As stated earlier, Maharashtra manufactures as many as 119 out of the reserved list of 144 automobile ancillary products.

major industry

Automotive industry is one of the major industries in the country where an intensive ancillary development programme has been undertaken. Thanks to the success of this programme, the auto ancillary industries have helped the country achieve a very high degree of self-sufficiency as regards the requirement of auto components. The credit for this success must be shared by many parties. First of all, the planned and orderly growth of ancillary units is due to the encouragement of government and the cooperation of vehicle manufacturers. But such rapid progress could not have been possible without the enterprise of a number of Indian manufacturers, supported in some significant cases by their foreign collaborators and partners. For a large variety of products, the Indian ancillary units have been able to absorb and assimilate the foreign know-how. Even in a few cases, there has been improvement and innovation to suit Indian conditions. Small-scale ancillary units have played an important role in supplementing and complementing the production of medium and large scale component manufacturers. The contribution of the small units should not be measured in terms of their output. Their capacity to absorb local resources of skilled and semi-skilled labour and to generate growth with employment deserves special mention.

We have recalled these features of the success story of the automobile ancillary industries in the past because they provide valuable guidance for future lines of development. We may well be tempted to strike out in new directions of development in future. However, before we do so, we should consider carefully whether the possibilities of progress along old, proven paths in the past are more or less exhausted.

It is obvious that the prospects for the ancillary industry in general depend very much upon the fortunes of the user industry. So, while considering the future of the automobile ancillary industries, we will have to assess the outlook for the various end-user industries manufacturing passenger cars, jeeps, commercial vehicles, tractors, scooters, motor cycles etc.

Following the oil crisis, as a result of the steep increase in crude prices by OPEC countries in October 1973, the outlook for the automobile industry has suddenly undergone a sea-change. The production of petrol driven vehicles such as passenger cars, jeeps and light commercial trucks received a tremendous setback not only in our country but all over the world. While the recessionary conditions of the last three or four years are beginning to recede, the growth prospects for this sector of the automotive industry certainly remained clouded, more so in our country. Our government looks upon the passenger car as a symbol of luxury. With this basic premise of policy, passenger car industry will have rather restricted growth prospects in our country. However, the auto ancillary industries need not be perturbed by this plight of the passenger car industry.

towards dieselisation

Auto ancillary units have the wide world of Indian road transport industry to service. The steep rise in petrol prices has encouraged the trend towards dieselisation. Moreover, the prospects for commercial vehicles, especially buses and trucks are really bright. Over the past decade, the number of commercial vehicles on the road increased at the rate of about 20,000 trucks and 5000 buses per year. Government intend to speed up this growth in the next decade by putting as many as 100,000 new buses and trucks on the road each year to provide a more efficient public transport system as also to promote the cause of employment generation. Moreover, petrol price increase has come as a blessing in disguise for the scooter industry. With the decline in production of cars, there has been good increase in the manufacture of scooters, motor cycles, three-wheelers, mopeds etc. This increase is bound to be sustained in the years ahead. Finally, ancillary units not only cater for original equipment (OE) requirements but they service the needs by way of replacement shares. The later category of business is bound to grow with the ever-increasing population of vehicles on the road year by year.

growth prospects

We must finally take into account the growth prospects offered by the export market. The structure of industrialisation and international trade is undergoing qualitative changes under the impact of new technological and economic factors. The present international economic conditions, depressed by oil crisis and high inflation offer considerable opportunities for Indian ancillary manufacturers to enter many hitherto inaccessible foreign markets. It is observed that during the last four years ancillary exports have steadily gone up from Rs 8 crores in 1971-72 to over Rs 20 crores in 1974-75. Ancillary units should be encouraged to take advantage of the situation and to scale greater export heights in the years ahead. In particular, the establishment of joint ventures in third countries may well prove to be a useful device to strengthen our automotive industry.

Considering all this, the ancillary sector need not be discouraged by the limited outlook for growth as regards the passenger car industry in the wake of the oil crisis. The ancillary units have other areas which have prospects of growth. The Development Council for Automobiles and Allied Industries has recently come out with a report giving production targets for the automotive industry based on a fresh review of changed circumstances resultin from the oil crisis. The working group o automotive ancillaries has estimated th production of ancillaries of the order o Rs 500 crores in 1978-79, as agains Rs 200 crores in 1974-75. Out of this exports are estimated to account for 1 per cent namely Rs 50 crores.

underlying optimism

In this period of transition, governmen perspectives and plans as regards futur of the entire road transport industry an its various sectors are not available. Intensive exercises for the formulation of th first rolling plan for the 5-year perio (1978-79 to 1982-83) are now under way It is therefore not possible to give at thi point of time a very clear and precis picture of the prospects of auto ancillar units over the next few years. However there is no reason to doubt the note o optimism underlying the above mentioned report of the working group on automotive ancillaries.

The generally bright perspective for the auto ancillary industries sketched above would naturally raise a few pertinent specific questions as regards the future lines of growth and development. Which are the products or items which promise more growth than others? In what areas—i.e. small-scale sector or organized sector, —is the future growth to be encouraged as a matter of policy? What should be the government policy in the matter of foreign collaboration—its continuance or extension in this field? What sort of weightage should be given to the factors of foreign collaboration and brand name for promoting exports? Finally, what are the specific prospects for further growth of auto ancillary units in Maharashtra in terms of its locational and other advantages?

These and other specific questions are no doubt pertinent and will be of specific interest for individual entrepreneurs. Pending the finalisation of government's industrial policy and in view of the uncertainties of the magnitude of the rolling plan, it is not possible to give detailed answers here which will be of direct use. However, some general observations are called for especially as regards future lines of government policies in this field.

Government will need to have an

open and imaginative approach towards foreign collaboration in this field. It would not be in the interest of this industry to follow restrictive policies in the name of self-reliance. The prospects for growth by way of exports for many ancillary items depend entirely on uptodate technology, use of brand name and other such facilities which flow from foreign collaboration. Once again, government will have to be careful while working out any major revision in the present demarcation of ancillary items as between vehicle manufacturers, organised ancillary producers and small-scale units.

It is a matter of common knowledge that government intend to reserve many more items for exclusive production in the small-scale sector. At present about 228 items are so reserved out of which 28 are auto ancillary items. There is a proposal to extend the list by another 800 new items. It is not known if any auto ancillary items are proposed to be covered in this new extension. The scope for extension is not ruled out but it has to be examined carefully in the light of requirements of quality standards and other relevant factors, with particular bearing on the final products of the automotive industry. This is not to suggest that we should not encourage more and more ancillary production of established items —as also new items—by a new breed of antrepreneurs, i.e. self-employed engineers or technocrats. However, such an approach should very closely be linked with development through technocrats as a sort of insurance for high quality.

Finally, one rather unorthodox thought as regards possible line of future development. Some of the vehicle manufacturers have been adversely affected by the oil crisis as far as their quality products are concerned. It might be worthwhile for government to consider making a conscious departure from established policy to permit such concerns alternative avenues of ancillary growth/development. This will help to strengthen the viability of these units and prevent sickness from visiting them. It will also ensure speedy development, high quality standards, export prospects etc.

The suggestions made earlier are not offered as final recommendations, much less as panaceas. They are made to emphasise the need for care and caution while working out the new strategy for the growth of auto ancillaries in future. Auto ancillary industries are in for a new phase of development after two decades of successful growth. The prospects for such development should not be marred by any hasty, ill-conceived measures. In fact, all efforts should be made to realise them speedily and to the fullest extent possible with the help of a properly integrated, realistic and results-oriented strategy.

EASTERN ECONOMIST

Statement about ownership and other particulars as required by Clause 19-D of the Press and Registration of Books Act :

1. Place of Publication : New Delhi
2. Periodicity of its Publication : Weekly
3. Printer's Name, Nationality and Address : **R.P. Agarwala**, Indian, C/o The Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi.
4. Publisher's Name, Nationality and Address : Same as (3) above.
5. Editor's Name, Nationality and Address : **V. Balasubramanian**, Indian, C/o Eastern Economist, New Delhi.
6. Names and addresses of individuals who own the newspaper and partners or shareholders holding more than one per cent of the total capital
    1. Birla Jute Mfg. Co. Ltd., Calcutta.
    2. Bharat Arogya Mandir, Calcutta.
    3. Pilani Investment Corpn. Ltd., Gwalior.
    4. Birla Cotton Spg. & Wvg. Mills Ltd , Delhi.
    5. Sutlej Cotton Mills Ltd., Amritsar.

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Sd/- R.P. AGARWALA.
Signature of Publisher.

Date : 28th February, 1978.

Financial stability in world economy

H. Johannes Witteveen

The Managing Director of the International Monetary Fund believes that inflation is still a serious problem in many member countries of the IMF. In his judgement effective and symmetrical adjustments are necessary to restore a satisfactory rate of expansion in world economy while continuing to make progress in reducing inflation.

THE PROBLEM of maintaining financial stability in the world economy, to which I have to address myself, has been a generally severe one during the 1970s, and it continues to demand our close attention. Let me first briefly sketch and analyse the various disturbances of financial equilibrium that we have experienced in recent years. Against this background, I will then try to indicate some of the most important requirements for financial stability in the years to come. Finally, I will comment on the role of the International Monetary Fund in the adjustment process.

WINDOW ON THE WORLD

You will recall that, just a few years ago, the world economy was struck by a series of major disturbances: a virulent and widespread inflation, a severe and prolonged recession, and a massive disequilibrium in international payments. Unquestionably, the situation that developed during the period 1973-75 constituted the most serious and complex set of economic problems to confront national governments and the international community since the end of World War-II.

The main causes of these disturbances are not hard to trace. First, it seems clear in retrospect that the boom in the industrial world during 1972 and 1973 was fueled by overly expansive policies on both the fiscal and monetary fronts. In addition, the timing of business expansion in the various industrial countries happened to coincide to an unusual degree, so that national developments proved to be mutually reinforcing. This intensified the forces of demand that generated domestic inflationary pressures and pushed up the prices of many primary commodities in international markets.

The upsurge in primary commodity prices also stemmed from a variety of special factors, such as anticipatory buying in a climate of inflationary expectations, shortages attributable to crop failures, real or threatened shortages of various industrial materials and uncertainties regarding the future value of currencies. On top of all this came the escalation of oil prices at the beginning of 1974. In terms of US dollars, world trade prices climbed by more than 20 per cent from 1972 to 1973 and by 40 per cent from 1973 to 1974, in contrast to the virtual stability of such prices over an extended period covering most of the 1950s and all of the 1960s. This explosion in world trade prices, following sizable increases in the years 1970-72, was accommodated b a large expansion of international liquidit

The precipitous rise of foreign trad prices made it much more difficult to control inflation and maintain economic stability. During 1973 and 1974, the experienc of virtually every country demonstrate the ease with which price impulses originating in one area can be transmitted t other parts of the world through their influence on business costs, consumer price and wage demands.

spurt in oil prices

The sudden tripling of oil prices at th beginning of 1974 aggravated this inflationary process because of its pervasiv cost-raising influence. At the same time it carried a potential deflationary effec through the generation of a vast current account surplus for the oil exporting countries. A deflationary effect would actuall be felt to the extent that larger payment for oil in the oil importing countries wer financed through diversion from other expenditures. In the event, it would appea that, by and large, such a deflationar effect of the oil price increase was no averted by autonomous or government induced forces of expansion in 1974, a monetary and fiscal policies remaine generally restrictive because of the severit of the inflation problem (or, in some cases balance of payment difficulties). Directl or indirectly, the development of a virulen inflation must be rated as the primar cause of the recent international recession which turned out to be the worst in fou decades.

In sum, a combination of mistakes i economic policy, purely cyclical force and some highly special occurrences transformed the international economic scen during the years 1973-75. These developments posed new problems and challenge for policy-makers throughout the world One particularly disturbing feature wa the emergence of inflation and recessio at the same time. This presented an essentially new situation and trying to deal with it was complicated by the prevalence of an inflationary psychology and of inflationary expectations: these had been building up since the mid-1960s, but were now firmly entrenched.

grave uncertainties

Economic forecasting and policy formulation became much more difficult in this environment of "stagflation", particularly in view of the creation of grave uncertainties and the damage done to business and consumer confidence. Governments were not only compelled to reappraise their domestic economic policies; they also had to contend with a very different international environment, stemming from the breakdown of the Bretton Woods par value system, the ensuing adoption of floating exchange rates by major industrial countries early in 1973 and the radical change in the global pattern of balance of payments relationships produced by the oil price increase.

Thus, the disturbances of 1973-75 created very difficult economic problems and pushed policy-makers onto a new and unfamiliar terrain. As a whole series of unprecedented developments unfolded, one could not escape the feeling at times that things might be getting out of control. However, sight should not be lost of certain positive developments during the period.

Most important was the avoidance of a worldwide depression, even though the recession that occurred was unexpectedly severe. This result was attributable in part to the generally good observance by countries of the standards of external conduct adopted at the Rome meeting of the International Monetary Fund's Committee of Twenty during January 1974—when oil importing countries as a group were urged to accept and to finance, for the time being, the current account deficits resulting from the oil price increase and to avoid deflation, restrictions, and competitive depreciation as methods of dealing with such deficits. Also, problems of financing the current account deficits associated with the oil price increase proved less intractable than initially feared; investment of the surpluses of oil exporting countries in financial markets, together with the expansion of official financing, resulted in a broadly satisfactory channeling of funds to the oil importing countries.

Fortunately, widespread fears concerning the financial plight of the developing countries as a group were not borne out, although acute problems of balance of payments adjustment and external indebtedness have been experienced in a number of individual countries. Finally, it should also be recalled that the United States, the Federal Republic of Germany and Japan—the Fund member countries with the three largest economies—all moved promptly to reduce their domestic rates of inflation after these had reached excessive levels during the international upsurge of prices and costs. This was obviously a salutary development, promoting the restoration of financial stability in the world economy.

severe difficulties

Some clear progress has thus been made in overcoming the economic difficulties that befell nations during the 1973-75 period. However, the current situation of the world economy is still unsatisfactory, mainly for two reasons. First, the difficulties which had to be confronted were so severe and complex that their solution was bound to take time; the gradual approach adopted by governments to reduce inflation was very realistic, but it has left inflation at a level that is still too high. Second, economic recovery from the recession has been disappointingly slow. Hence, the great majority of countries are still in the process of attempting to restore order to their economies and to achieve satisfactory rates of non-inflationary balanced growth.

During the past year, total production has expanded at a satisfactory rate in the United States but has been sluggish in most other industrial countries. For the industrial countries as a group, the pace of economic recovery has become so slow that it is adversely affecting employment and foreign trade, including the exports of the developing countries. The volume of world trade rose by only five per cent from 1976 to 1977, in contrast to an average annual growth of nine per cent during the 1960s. On present prospects, world trade growth seems unlikely to become more buoyant in 1978.

Slow economic growth, in a setting of high unemployment, has given rise to pressures for protectionist measures in some of the major trading countries. On the whole, such pressures have been resisted in recent years, but lately there have been signs of a weakening in the commitment of some countries to free and non-discriminatory trade. It would be an illusion, however, to believe that a solution to current problems could be found by going back on this commitment. Protectionist measures are unlikely to provide anything other than very short-term relief for the problems confronting the industrial economies. Further, the growth of world trade and activity would undoubtedly be impeded by a proliferation of trade and payments restrictions, with inevitable repercussions on the countries imposing them and on developing countries with newly emerging industrial sectors.

The unsatisfactory pace of economic expansion in the industrial countries—with its adverse effects on employment and world trade, and its encouragement of protectionist sentiment—is a matter for serious concern. But any diagnosis of what to do about it must also take into account two other features of the current international situation: inflation and balance of payments disequilibrium.

serious problem

Inflation is still a serious problem in many countries. The overall rate of price increase in the industrial countries amounted to seven per cent in 1977, only about half as high as in the second half of 1974 but well above historical standards. The rate of price increase differs markedly among the industrial countries, but in most of them it is much too high to be considered acceptable and is coming down only very slowly, if at all. Outside the industrial world, the picture is even more disquieting; in general, rates of inflation in the non-industrial countries are still as high as in 1974, and are far above the rates experienced before the worldwide inflationary upsurge of a few years ago.

The other international problem I have just mentioned—balance of payments disuilibrium—has several different facets. f strategic importance, of course, is the osition of the major oil exporting coun- es. Their combined current-account sur- us has shrunk considerably since 1974, ut it still amounted to $35 billion in 1977 nd may be expected to remain relatively rge for some years to come. As a coun- erpart to this, the oil importing countries ave a combined deficit of corresponding agnitude, but among them one finds a iversity of situations with respect to the ructure and sustainability of their balance f payments position. Many countries in arious parts of the world have current ccount deficits that are too large to be ustained in the light of the available finan- ing or the level of external indebtedness. t the other extreme, some countries have urrent account surpluses and strong pay- nents positions.

Among the relatively strong countries, he main focus of international attention as naturally been on the Federal Repub- ic of Germany and Japan, but a number f smaller countries—both developed and eveloping—also belong in this category. On the other hand, the external position of the United States has recently been characterised by a large current-account deficit and by depreciation of the dollar in relation to other major currencies.

adjustment process

The broad conditions I have described—slow economic growth, problems of inflation, and international payments disequilibrium—can be alleviated by a proper functioning of the international adjustment process. In our studies and discussions in the Fund, we have given a great deal of attention to the adjustment process because of its fundamental bearing on the performance of the world economy. The annual report of the executive directors for 1977 outlined some agreed views on adjustment policies that were developed in the Fund during the first part of the year.

In my view, it is particularly important at this juncture that both surplus and deficit countries should adhere to the principles of adjustment which have been agreed to in the Fund. According to these principles, deficit countries should pursue policies of restraint on the growth of domestic demand and reduce inflation; at the same time, they should let their exchange rates depreciate so as to enable them to shift the required amount of resources from the internal to the external sector. On the other hand, countries in relatively strong positions—the surplus countries—should expand domestic demand as much as possible without rekindling inflationary forces; to the extent that this does not restore balance of payments equilibrium, they should allow their exchange rates to appreciate, so that resources can be shifted from the external to the internal sector of their economies, while tending to reduce inflation further.

important measures

Important actions have been taken by a number of deficit countries over the past year or so, and other such countries with large payments imbalances urgently need to follow suit. However, the expansionary impetus provided by oil importing countries in relatively strong positions has been quite disappointing; contrary to expectations, it has not been sufficient to ensure achievement of a satisfactory rate of growth in world trade—one that would support and facilitate adjustment efforts by deficit countries.

In my judgment, more effective and symmetrical adjustment actions are necessary in order to restore a satisfactory rate of expansion in the world economy while continuing to make progress in reducing inflation. The working of the international adjustment process has been impaired by a combination of current account surpluses and low growth rates of domestic demand in countries with relatively strong external positions and relatively low rates of inflation. Therefore, a clear requirement is, for such countries to provide for adequate stimulus of demand (and imports) without jeopardising their anti-inflation efforts.

In this situation, exchange rate changes have lately been playing a more important role in the adjustment process. As has been set out in the Fund's annual reports, exchange rate changes among the major industrial countries over the past several years mostly reflected differences in rates of inflation. This helped to avoid new disequilibria, but it contributed little to the adjustment of those disequilibria that existed already.

In recent months, however, rapid exchange rate changes have brought abou significant shifts in competitive position between the main industrial surplus countries, West Germany and Japan, on th one hand, and the United States, with it large current account deficit, on the othe hand. Movements like these have becom the subject of intensive and sometime emotional debate. But they should no become a source of friction between countries; rather, they should be analysed and assessed dispassionately.

In attempting such an analysis, we should start from the recognition that the present system needs an appropriate contribution of exchange rates to the adjustment process. The question is, of course, what is appropriate. It seems clear that in cases of structural shifts and disequilibria, exchange rate movements should indeed go beyond what is needed to compensate for inflation differentials. But on the other hand, it is important to maintain an appropriate relationship between exchange rates and demand policies and to avoid overshooting an equilibrium range. Experience in cases of depreciation with high employment of resources has generally shown that successful adjustment could only be brought about if the exchange rate shift was complemented by a more restrictive demand policy so that its inflationary effects were compensated. The same relationship, but in the opposite direction, holds also in cases of appreciation.

domestic demand

This means that for surplus countries, notably West Germany and Japan, strong expansion of domestic demand has been rendered even more urgent because of the substantial appreciations in the external value of their currencies over the past half year or so. I am encouraged, in this regard, by the new demand measures recently taken by Japan. In the case of an exchange rate appreciation without the needed additional demand expansion, not only would the domestic situation be affected unfavourably by the appreciation, but the deflationary effects would again reduce imports, thus running counter to the objective of lowering the current account surplus and bringing about a better balance of payments equilibrium. In these circumstances, a vicious circle of continuing currency appreciation and deflation could easily come about. The recent appreciations of the Deutsche-mark and the yen are to be welcomed from an international standpoint, but they must be supported by appropriate policies on the demand side if early and effective adjustment of the external position is to come about. All this is a clear lesson of recent experience, conforming to the generalisation reached in the Fund's 1977 annual report that both demand management and exchange rate policies have essential roles—distinct but complementary—in the succesful functioning of the international adjustment process.

important function

Even with appropriate demand policies, there can be a danger of overshooting equilibrium because exchange rates need time to work out their effects on international trade and the balance of payments. This is one reason why it has always been an important function of the Fund to provide balance of payments financing during the time that is required for the necessary adjustment policies to restore equilibrium. And in recent years, temporary balance of payments financing has also been provided on a very large scale by official borrowing in international money and capital markets.

In this respect also, the right balance is important for successful adjustment. Balance of payments financing should not be resorted to so freely and easily that necessary adjustments in demand and exchange rate policies are postponed too long. On the other hand, balance of payments financing should be sufficient to prevent continuing disorderly exchange rate movements in the period during which adjustments to underlying conditions are being brought about. Considerations such as these figured prominently in the development of our Supplementary Financing Facility.

A few remarks are now in order about the deficit in the balance of payments of the United States and the depreciation of the dollar. There is widespread agreement on the ways in which adjustment of this deficit should gradually be brought about. More rapid expansion in surplus countries, an effective energy policy in the United States, and exchange rate adjustments all have to play their parts.

But there is less clarity and less agreement on the financing aspect. For the United States, as the main reserve currency country, the *need* for financing is not as obvious as for other countries that have to obtain foreign exchange in order to be able to pay for their imports. But does this also eliminate the *desirability* of some deliberate financing of the US deficit? Wiihout such financing, the extent of any depreciation of the dollar would be determined mainly by the intervention policies of surplus countries—which are often limited by undesired internal monetary effects—and by the expectations of those responsible for private capital movements. Should such uncertain and uncoordinated elements in all circumstances be the sole determinants of the value of the world's most important reserve asset? In the present situation, the world is faced painfully with this question. A move in the right direction has recently been indicated by president Carter's clear affirmation of responsibility for curbing disorderly exchange markets and protecting the integrity of the dollar. His statement, which was followed by a more active intervention policy on the part of the US authorities in cooperation with those of other countries, has been a most welcome stabilising influence. Let me express the hope that such an approach will continue to be followed in the critical period ahead, in a spirit of innovative international cooperation.

paramount need

The other and most essential task for international cooperation is to create a sufficient non-inflationary stimulus to the world economy, correctly related to the varying degrees of strength in countries' external positions. I have already stressed the paramount need of stimulating expansion in the two main strong economies of West Germany and Japan, as well as in other surplus countries.

But I would like to add that the adoption of cautious, carefully controlled policies of expansion should now be considered by countries where the balance of payments is not much of a constraint, if any, and where domestic inflation is low or, though relatively high, would not be aggravated (because, for example, it is being held in check by conditions of economic slack). Even if the balance of payments were to show some worsening as a result of such policies, additional financing could be provided by the Fund. In this context, the Fund can be helpful in encouraging import liberalisation, exchange rate action, higher domestic investment, or other needed changes in an overall programme of domestic and external adjustment.

rationalising claims

At the same time, I believe that governments should increase their efforts to obtain a more favourable split of the change in aggregate demand into its price and volume elements. Thus, the possible utility of tax reductions for the purpose of influencing wage and price behaviour deserves consideration, particularly in countries where this can be worked out in conjunction with an established incomes policy. More generally, governments should do whatever they can in the difficult field of incomes policy in order to rationalise the claims of business and labour on the national product. I realise, however, that the scope for efforts in this field varies markedly among countries, depending on institutional arrangements, traditions and the climate for wage bargaining and price setting.

Admittedly, the various policies I have proposed may in some cases be difficult to carry out, and imagination will certainly be needed in some countries to move in the indicated directions. But I feel that a broad approach involving renewed efforts to make the international adjustment process more effective together with a reappraisal of domestic policies, is called for in present circumstances. At this critical juncture, contributions to an improvement in world economic conditions can and must, be made by many countries in widely differing positions. Clearly, there is a vital need for international cooperation in the conduct of national economic policies, taking account of the international responsibilities of countries according to their particular circumstances.

During the troublesome years that I

ave covered in these remarks, the Interational Monetary Fund has adapted flexily to changing conditions in order to eet the needs of member countries and, hereby, to help maintain stability in the orld economy. Our principal concern has een to provide balance of payments assisance to members that would be adequate n amount and appropriate in the relative mphasis placed on financing and adjustment. For this purpose, we have improved pon established facilities and set up seveal special facilities.

Particularly important have been the 974 and 1975 Oil Facilities and the recent development of the Supplementary Financing Facility. This Supplementary Facility, which still awaits the necessary ratification of the prospective lenders, is to provide a needed increase in the Fund's liquidity through lines of credit from a group of industrial and oil exporting countries; it has been designed with a view to improving the working of the adjustment process. Its aim is to help countries faced with large and serious payments imbalances to adopt effective programmes of adjustment over a period of two to three years, by offering assistance in large amounts and for a longer period than would be available to them under the regular credit tranches of the Fund. The Supplementary Financing Facility is clearly needed in present circumstances, and it would help greatly, in my judgment, to promote international adjustment and to strengthen confidence in the international monetary system.

The role of the Fund in the international adjustment process will be expanded in the second amendment of the Articles of Agreement. The amendment, which is expected to come into effect in the nea future, calls for the Fund to exercise firm surveillance over the exchange rate policies of members—surplus and deficit countries alike. This surveillance function is a vital one to the Fund as overseer of the international monetary system, responsible for its effective operation and it should contribute to the more symmetrical functioning of the adjustment process that I consider essential.

The measure of success achieved by the International Monetary Fund in helping to maintain financial stability in the world economy during recent years is attributable to the cooperation of its member countries. In the period ahead, I am sure, international cooperation will continue to sustain the work of the Fund and to contribute decisively to the overcoming of the world's economic and financial difficulties.

East *vs.* west: who is richer—and why?

This analysis of the fortunes of the communist countries' "peaceful economic competition with the capitalist world", from the February issue of "The Morgan Guaranty Survey", notes that, while the Soviet Union and East European countries have made significant "quantitative" gains in living standards, "qualitative" gains have been slower in coming. The communist world, in other words, is still very much in the process of trying to catch up with the Joneses.

FOR THE past decade and a half the Soviet Union and east European nations have been engaged in "peaceful economic competition with the capitalist world"—aimed in part at attaining living standards closer to those of more affluent western societies.

Though progress has varied from country to country, western travellers in the Soviet bloc see a marked difference since the early 1960s in the availability of consumer goods. Various scholarly studies bear out visitors' impressions that people throughout the eastern countries are now more comfortably off—if still far less so than people in the industrial west. It has been estimated, for instance, that per capita consumption in the Soviet Union is about one-third that in the US. Some analysts suggest that East Germany now enjoys a standard of living roughly comparable to that of West Germany ten or fifteen years ago.

In the US, meanwhile, doubts have been expressed in some quarters that this country still can claim to provide the world's highest standard of living. It has been pointed out, for instance, that Sweden and Switzerland have outdistanced the US in per capita GNP, a commonly used measure of national wellbeing, and that such oil-exporting states as Kuwait and the United Arab Emirates are even farther ahead.

Some estimates, to be sure, indicate that per capita income in Kuwait and the Emirates may be twice or so that in the US. But while both countries provide extensive welfare services for their people, such as housing and medical care, they are developing nations; living standards for most such people cannot be likened to those in the developed world. This points up some of the difficulties in using per capita product as a proxy for public well-being.

Such a measure has other imperfections, as a gauge of living standards, in part because a substantial portion of any country's product goes to pay for things such as defense or police protection that people cannot eat or wear or live in. Also, averaging national product over a country's population obviously masks differences in life styles among the richer and poorer in any society. Per capita GNP nonetheless is a conventional starting point for international comparisons.

Analysts making such comparisions usually convert the outputs of various countries to US dollars (or another common currency) through use of exchange rates—a procedure widely recognised to have shorcomings.* Exchange rates, for

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*Ideally, for international comparisons, levels of output and income should be calculated on the basis of purchasing power parities or through direct comparisons of real products. But work in this area has been fragmentary. The most ambitious effort to devise comparable measures—the United Nations International Comparison Project (ICP)—was begun in 1968 by the UN Statistical Office and the University of Pennsylvania, with the support of numerous international and national organisations. In 1975 ICP published comparisons for ten countries for 1970 in *A System of International Comparisons of Gross Product and Purchasing Power*, Irving B. Kravis et al, The Johns Hopkins University Press, Baltimore and London. Comparisons of sixteen countries for 1970 and 1973 are tentatively scheduled for publication in May.

example, do not necessarily reflect the relative purchasing powers of different currencies in thier home markets. At best, exchange rates establish values or prices for goods traded internationally; they may be scarcely relevant to prices of goods and services—such as housing, health care, education—that do not enter into international trade. Too, consumption patterns differ markedly from country to country.

Changes in currency parities underscore the shortcomings of exchange-rate conversions. Successive declines of the dollar against other major currencies since 1971, for instance, have resulted in increases in other countries' products expressed in dollars that frequently are meaningless. As an example, with the dollar's decline against the D-mark between 1976 and 1977, an exchange-rate conversion would show a huge increase in West Germany's per capita GNP. But the only increase experienced by the German citizen is the percentage growth in real per capita GNP measured in D-marks.

Other complications arise when the Soviet Union and east European nations are brought into international comparisons. Not only do those countries lack market pricing mechanisms and convertible currencies, but their national accounts statistics do not provide data comparable

Indicators of Comparative Standards of Living

	"Real" per capita GNP (in 1960 US dollars)			Average annual % incr. in "real" per capita GNP	Passenger cars per 1000 population	Telephones per 1000 population	Television receivers per 1000 population
	1960	1969	1976	1960-76	1976	1975	1974
Switzerland	6402	8322	8877	2.1	280	611	264
Sweden	5357	7494	8673	3.1	336	661	348
United States	5452	7130	7894	2.3	497	695	571
Canada	4512	6218	7512	3.2	386	572	366
Denmark	4462	6506	7450	3.3	251	454	308
Norway	4137	5889	7424	3.7	237	350	256
West Germany	4463	6194	7380	3.2	294	317	305
Belgium	3613	5229	6781	4.0	267	285	252
France	3502	5285	6552	4.0	295	262	235
Luxembourg	4693	5934	6462	2.0	389	411	257
Netherlands	3767	5253	6196	3.2	247	368	259
Australia	4024	5251	6104	2.6	363	390	226*
Iceland	4021	4938	6100	2.6	295	417	230
Finland	3015	4412	5617	4.0	212	389	269
Austria	2844	4004	5329	4.0	229	281	247
Japan	1537	3513	4905	7.5	155	405	233
New Zealand	3483	4166	4247	1.2	369	502	261
East Germany	2583	3353	4221	3.1	112	152	297
United Kingdom	2961	3594	4016	1.9	251	379	315
Israel	1981	3242	3923	4.4	73	231	134
Czechoslovakia	2629	3239	3838	2.4	101	176	245
Italy	1735	2688	3048	3.6	270	259	213
Spain	1244	2206	2916	5.5	136	220	174
Poland	1506	1969	2857	4.1	32	75	181
USSR	1581	2180	2759	3.5	19	66	208
Greece	1004	1848	2585	6.1	49	221	106
Ireland	1639	2353	2558	2.8	164	141	178
Bulgaria	1105	1731	2313	4.7	23	89	168
Hungary	1407	1953	2277	3.1	55	99	219
Romania	833	1273	1793	4.9	7	N.A.	114

Note: Per capita GNP data provided by the World Bank. For each of the noncentrally planned economies, real GNP per capita is converted from the domestic currency to US dollars on the basis of a weighted-average 1974-76 exchange rate. The procedure followed for the centrally planned economies is similar but more complex. For the above presentation, the results are expressed in dollars of 1976 purchasing power. Data on telephones and television receivers per 1000 population are from the *1976 Statistical Yearbook*, United Nations; data on passenger cars, from *World Motor Vehicle Data*, 1977 edition, Motor Vehicle Manufacturers' Association of the US, Inc. *1973.

to the west's GNP data. Translation to dollar figures presents complex statistical problems.

Mindful of such considerations, some experts consider the per capita GNP series produced by the World Bank perhaps the bsst such ranking available—one representing great efforts to achieve internal consistency and to smooth out temporary distortions in prices and exchange rates. Figures for 30 selected countries, adapted from World Bank estimates based on the years 1974-76, are shown in the table on page 382.

wide gulf

Although the rankings should be considered rough approximations of relative standings, they depict a wide gulf between east and west in this measure of national well-being. The eastern countries are grouped at the lower end of the table, with per capita GNPs in 1976 of $4200 or less. Apart from the United Kingdom and Italy, the main industrial nations are clustered in a range from about $8900 for Switzerland to $4900 for Japan, with the US near the top of the range at $7900.

The size of the gap between the US and Soviet readings may seem surprising in view of the Soviet Union's status as an economic and industrial power, second only to the US. The readings indicate that Soviet real per capita GNP in 1976 was 35 per cent of this country's. Other analysis have put the ratio higher.

A number of assessments indicate that Soviet citizens have seen a considerable rise in living standards during the post-World War II era. One study has estimated that the level more than doubled between 1950 and 1975, with real per capita consumption increasing at an average annual rate of four per cent. But the gains, of course, are measured from a low base.

Qualitative—as distinct from quantitative—gains in Soviet living standards have been much slower in coming. Central planning, ample evidence attests, chronically falls down in delivering a quality and assortment of goods and services that increasingly choosy Soviety consumers want. The populace grumbles of such things as housing standards that do not meet announced norms, years of waiting to buy an automobile, shoddy merchandise, and shortages of a wide range of goods including meat.

East Europeans voice much the same complaints as Soviet citizens about consumer goods and services, though they too have seen their situations improve. As real output has risen, east European nations have posted gains in per capita personal consumption that have been estimated at from something over two per cent annually to something over four per cent between 1960 and 1975. The increases were slowest in Czechoslovakia and East Germany, countries with the highest initial consumption levels and fastest in Bulgaria and Romania, countries with the lowest initial levels. For 1975, according to one analysis, a rough measures of goods and services consumed showed East Germany with the greatest per capita personal consumption, Czechoslovakia, a close runner-up at 80 to 90 per cent of the East German level, and progressively declining levels for Polland, Hungary, Bulgaria and Romania, with the last's consumption about 40 to 50 per cent of the East German level.

consumption levels

East Europeans tend to compare their lot with that of west European neighbours. Estimates of relative consumption levels have suggested that in 1972 per capita consumption in East Germany was about 63 per cent of the West German level and Polish consumption about 46 per cent of the French level. In 1970, according to other estimates, Hungarian consumption was approximately half of the West German level and Romania's about 25 per cent of the French level.

In the "capitalist world," meanwhile, despite its mid-1970s buffeting by the most serious recession in decades, the growth record of the past decade and a half as a whole has been impressive. Between 1960 and 1976 most industrial nations averaged annual gains in real output per capita in the two to four per cent range as the table shows, and Japan registered 7.5 per cent increases. A number of countries, having posted faster growth rates than the US, narrowed earlier gap in income rankings with this country.

Citing other countries' gains relative to the US in this measure, some observer have suggested that traditional views o this country's leadership in living standards are outdated—or rapidly becoming so. This is an arguable point, in view o the numerous problems associated wit exchange-rate conversions. The fact i that any measure of real personal income translated into another currency—whethe GNP per capita, wages, or consumption expenditures—is an inconclusive guide to relative affluence. Comparisons that avoid exchange-rate conversions are hard to come by but anumber of these suggest that the US remains the most affluent country.

partial tribute

If precise rankings among industrial nations want greater refinement, it is notable that the west generally has provided its people with an abundance of choices in deciding how to live—a classic characteristic of well-being, which Soviet and east European people enjoy to a much lesser extent. While the lag has partly reflected the precedence of other priorities in eastern countries, they have paid the capitalist world's performance an implicit tribute in adopting western societies' achievements as a kind of benchmark. They pay no similar tribute, however, to the market orientation that has characterised the more affluent societies. They have clung essentially, with but marginal changes, to centralised planning and direction of their economies, remaining encumbered with many problems that have impeded progress. In sum, much evidence suggests that eastern countries' systems have played an important part in their continuing lag vis-a-vis industrial nations.

Western economies obviously have had disappointments and setbacks over the years and some have fared much less well than others—with Britain and Italy key examples. It nonetheless seems reasonable to conclude that their market-oriented systems—which encourage innovation and reward efficiency—are intimately related to the capitalist world's superior economic well-being.

MOVING FINGER

The government probably could not have got out of appointing Mr Y.V. Chandrachud as the new Chief Justice of the Supreme Court, without creating avoidable problems for itself. But this does not alter the fact that this is an appointment which has not been made with grace, because it could not have been made with grace. Referring to the controversy surrounding Mr Chandrachud's elevation, the prime minister suggested that it should not be overlooked that if certain people acted in a certain way during the emergency, it was because of the atmosphere of fear then prevailing. The implications of this remark could not have been flattering to the judges who delivered the majority judgment in the *habeas corpus* case and Mr Chandrachud, certainly, could not have wished his chief judgeship to be rung in on this note. Perhaps, even at this late hour, he could redeem the dignity of the Supreme Court and his own reputation at the Bar and on the Bench by resigning his office and retiring into private life.

The periodical press reports about the search for a less pompous dwelling for the president have become a big bore. It is almost a year since Mr Sanjiva Reddy had publicly declared that he wanted to move out of Rashtrapati Bhavan. He, apparently, was serious about it. Nevertheless governmental red-tape is still keeping him tied down. The logistics of transferring the president, his family and their belongings from one building in New Delhi to another, also in New Delhi, cannot after all be all that complicated. It is obvious that nobody is applying his mind to this matter, either seriously or intelligently enough. In retrospect, Mr Gulzari Lal Nanda seems worthy of a big salute. Before Nehru's ashes were cold, he exercised his authority as acting prime minister to announce that Teen Murti House would promptly cease to be a prime minister's residence and would be utilised as a Nehru memorial. There were however some uncharitable people at the time who did ascribe motives to him.

Mr Karl Khandalawala, counsel for the Shah Commission, has described the declaration of emergency as "a fraud on the president, a fraud on the council of ministers and a fraud on the people". His understanding of the situation is wide off the mark. Mrs Gandhi certainly committed a fraud when she declared the emergency. But it was a fraud on the constitution and the people. The then president was certainly not among those who were defrauded, nor was the council of ministers. On the contrary, the late Fakhruddin Ali Ahmed was an accomplice of Mrs Gandhi in the committing of the fraud and the ministers were her partners. All this has been made clear by the evidence already recorded by the Shah Commission. It is amazing that the counsel for the commission should have shown such ignorance of this important documentary material.

It is true that there are many people in this country for whom it will be politically profitable to depict Mrs Gandhi as the beginning and the end of all the evils of the emergency. But history cannot be cheated in this manner. Mrs Gandhi could do what she did because, at the critical time, there were people around who did nothing to oppose her or obstruct her, although they were under a constitutional, political, legal or moral obligation to do so. Today, the ruling party is so keen on consolidating its position in the government and the country that it has developed a vested interest in suborning Congressmen and sucking them into the mire of its power politics. Consequently it is openly interested in playing down the emergency roles of Congressmen and their collaborators in various walks of life, the only exception it is prepared to make being the Indira Gandhi family. In other words what began or was advertised as a grand cleansing of the nation's soul seems to be ending up as a petty feud against a single family. The pity of it is that the mandarins of the Janata party do not even seem to be able to punish Mrs Gandhi in a clean, surgical way. They want to play with her as a cat would with a mouse. Only, they themselves are more mice than men.

Just a few days before he suffered that massive heart attack, which proved to be the beginning of the end, Prof. B.R. Shenoy rang me up to ask whether he could borrow our library copy of "The History of the Reserve Bank". At 73, he was thus actively engaged in what he was interested in throughout his life, viz., economic scholarship. Shenoy was a diamond-bright, diamond-hard monetarist, the very Milton Friedman of Indian economics. He was for a time with the Reserve Bank of India, but Mr C.D. Deshmukh, the then governor, never felt easy in his company and Shenoy, if anything, felt even less at home.

Mr Deshmukh's blue-eyed boy those days was the very much smoother moving Mr P.S. Narayana Prasad. This was not surprising because, where Mr Narayana Prasad would be responsive, Shenoy might be rigid. His rigidity, however, was not an aspect of a narrow mind or a limited vision. He believed in having beliefs and he held to his beliefs, perhaps often aggressively. In the pristine days of the Swatantra party, when the late A.D. Shroff was its high priest, Shenoy could function happily as its respected economic theoretician. That philosopher-king of the Swatantra party, Rajaji, had great regard for him. Times however change and men change even more quickly. Mr H. M. Patel, so anxious to bury his Swatantra past, could naturally have had not much use for Shenoy or his thinking. As a matter of fact he did not. Shenoy never thought much of the pursuit of economic development through the opportunism of deficit financing. Had he lived in health for some more weeks, he might have had harsh things to say.

VB

BOOKS BRIEFLY

Achievements and failures of planning

The Indian Economy—Poverty and Development: Pramit Chaudhuri; Vikas Publishing House Pvt Ltd; Pp 279; Price Rs 50.

Practical Hints for New Entrepreneurs : J.H. Doshi (as narrated to M. R. Pai); Published by M.R. Pai for Amritlal and Co Ltd, Bombay; Pp 74; Price Rs 5.

Ruruban Migration in India : D. P. Saxena; Bombay Popular Prakashan; Pp 225; Price Rs 45.

Market Study for a New Industrial Project : K.S.V. Menon; Vora and Co Publishers Pvt Ltd, Bombay; Pp 204; Price Rs 20.

Perspectives in Indian Banking : Gopal Karkal; Bombay Popular Prakashan; Pp 127; Price Rs 40.

Irrigation Projects in India—Towards a New Policy : K. Puttaswamaiah; Nrusimha Publications, Bangalore; Pp 96; Price Rs 25.

Fiscal Policy and Economic Growth : Bakshi D. Sinha; Birla Intitute of Scientific Research, Economic Division, New Delhi; Pp 39; Price not given.

Reviewed by **Academicus**

PRAMIT CHAUDHURI, reader in Economics at the University of Sussex, has made an attempt in his most stimulating book *The Indian Economy—Poverty and Development*, to present a set of developments that the Indian economy has gone through during the last quarter of a century and his personal interpretation of those developments.

The author has tried to assess the performance of the Indian economy in the light of certain questions he has posed and which are being repeatedly asked: To what extent has the government been successful in promoting economic progress over the last quarter of a century? To what extent has it failed to meet its objectives? What have been the major constraints on the development of the Indian economy? In order to answer the above questions, the author has adopted a dual approach of looking at the economy, namely aggregative approach and from the point of view of fortunes and misfortunes of its component parts. He is convinced that it is only such a dual approach, i.e. aggregative and sectoral, that will present the real picture of achievements and failures of the Indian economy since the commencement the planning era in 1951.

As regards the performance of the Indian economy, the author regards 1965-67 as a watershed. Before that period, Indian economy grew at a modest but steady rate. Total output, share of investment in national income, output of both large-scale and small-scale industries and import-substitution all showed fairly steady progress. There was built a fairly solid capital goods producing sector which, according to the author, was a remarkable technical achievement for a poor country such as India. Agricultural output was pushed ahead along a rising trend line due to factors such as favourable monsoon, expansion in acreage and completion of a number of major irrigation projects.

Then the tale of woe began in a surprisingly shattering way, beginning with the drought years of 1967-68. Except in the case of wheat, all the other major series of economic performance, real national income, per capita availability of foodgrains and industrial production showed signs of stagnation or significant deceleration. At present "the future of economic progress in India has been called into doubt in a way which could not have been foreseen in the mid-1960s."

As regards the sectoral assessment of the peformance of the Indian economy since 1951, the author has tried to look at the performance of the Indian economy from the point of view of people generally designated as the poor. What has the economic performance done to the poor on whose welfare so much stress has been laid from the first Plan to the last?

Against the background of faltering agricultural production and rising prices of foodgrains and other essential commodities, the picture drawn by the author is "uniformly gloomy, without even the glimmer of a false dawn." Even during days prior to 1965-67 when the overall growth rate was not unsatisfactory, "very little of the fruits of growth came the way of the poor". Since then with increase in population, deceleration of the growth rate, stagnation in per capita availability of basic wage-goods and cumulative rise in prices of foodgrains and other essential commodities, the only inference that can be drawn is that the lot of the poor which was none too good even before 1965-67, has been steadily worsening.

the answer

How has this state of affairs come to pass? To answer this question, the author has examined both the overall performance of the economy and also of those aspects of growth which are of particular concern to the poor. The significance of a particular economic strategy and policy differs according to whom we envisage to be the beneficiaries of such a policy.

During the years of planning, the basic constraint on the growth of the Indian economy was perceived to lie in scarcity of capital. It was thought that an increase in productivity and in employment both required a substantial increase in capital stock of the economy. From this it was an easy passage to Mahalanobis model where the objective was "to maximise the share of investment in the capital goods producing sector, in order to maximise the rate of growth of consumption over time rather than the current level of consumption." Also given the nature of the Indian economy, the stress appeared to be on investment towards creating output-capacity rather than immediate output. This concentration of investment surely gave a certain impetus to the growth of modern industrial sector in India which by any standard was remarkable.

But this strategy of development through capital goods industries in a country like India proved abortive for a number of reasons.

important reason

The first and most important reason, according to the author, is the fact that the above strategy gave too little recognition to the problems of agricultural development. This was almost fatal in an economy where more than 70 per cent of people depend upon this sector which also contributes about half of national product. Secondly, even within the narrow compass of industrial development, says the author, "the strategy contained within itself the seeds of its failure." "The basic flow in it was, perhaps, the failure to realise that a policy formulated in a centrally planned economy might not work in quite the same fashion in a mixed economy, where only a small part of total activity would be within the direct control of the government." The result was a failure to reach investment targets according to any order of priority and a diversion of resources away from certain strategic sectors towards less essential consumer goods such as luxury and semi-luxury goods and industries producing their inputs. Even in the public sector, there was a diversion of resources away from development expenditure towards non-development expenditure.

Public investment failed to generate its own savings partly becaus of unexpectedly long gestation period upsetting the whole time schedule and secondly because of low operational efficiency in many public sector undertakings. Also influences on the side of demand helped to tighten the savings constraint. Public sector industries were typically capital-intensive and the rate of profit depended upon the degree of utilisation of installed capacity. For basic and heavy industries in the public sector to be self-financing, it was essential to maintain a high rate of growth of overall demand in the economy. This was not possible without a concomitant increase in the rate of supply of wage-goods. This implied a rapid and sustained rate of growth in output of that sector which was the chief producer of wage-goods, namely agriculture.

Failure to sustain a steady rate of growth of agricultural output, especially of foodgrains consistent with the rate of growth of population and increase in aggregate demand consequent on heavy investment in basic and heavy industries in the public sector, implied a number of things. For example, it meant failure to achieve high rate of growth of total output wherein agriculture has a lion's share; also because of close sectoral interdependence, it provided an explanation of how failure to achieve a high rate of production in the wage-goods sector resulted in a severe constraint on rapid growth of non-agricultural sectors. Thus shortage of wage-goods became the biggest constraint on the overall growth rate and employment.

spurious concern

And thus in spite of the concern shown for the poor, very little was done because of the emphasis on overall growth of the economy in the belief that prosperity of the country in general will automatically filter through as also due to the strategy of development that was adopted, namely development through capital goods industries. The bulk of the poor in India consists of small and marginal farmers, landless agricultural workers and rural artisans. These sections of the Indian population hardly got employment opportunities and therefore hardly any income with which to purchase wage-goods. Naturally when wage-goods were in short supply due to neglect of agriculture, the poor found it impossible to successfully compete with those in the higher income groups who also consume wage-goods. And therefore the author concludes: "The failure of economic policy to either identify the wage-goods constraint or give adequate attention to the allocation of resources to increasing the production of wage-goods, must be reckoned as one of the major shortcomings of Indian economic strategy . . . to aim at sustained growth without a successful resolution of the wage-goods constraint was to aim at a chimera."

There appears to be general agreement that Mahalanobis strategy has misfired, if not proved catastrophic. However, the more important question is what is the way out?

Is it possible to switch over to new strategy of development through consumer goods (wage-goods) industries by reversing the strategy followed during the last two decades and especially when many public sector enterprises have started making profits since 1972? If the switch over is made (say due to political compulsions), is the vast installed productive capacity in capital goods sector to be kept idle in a capital-scarce country like India? Would export of capital goods which is picking up be a way out? What would be the possible constraints on accelerating the rate of growth of wage-goods? Would wage-goods sector respond favourably to heavier investment, without much time lag? Would not slower flow of capital goods be a constraint on the rate of production of wage-goods? There appears to be no doubt that some change in the strategy of development has to take place. But at the same time care needs to be taken that we do not move from one extreme to another, making the already difficult situation worse.

ENTREPRENEURSHIP

The skill of creating wealth out of varied raw materials exists in abundance in India. It is upto us to use this entrepreneural skill to produce results in terms of new industries, more employment, and creation of goods and services of various types not only for domestic consumption but also for exports. The excellent publication, *Practical Hints for New Entrepreneures*, makes an attempt "to give to new entrepreneurs of India the essence of nearly four decades of business and industrial experience of Mr Doshi." The author and his Amar Dye-

Chem Limited represent "a success story f a purely indigenous industry developed by local skills and standing today on n equal footing with its counterparts in he rest of the world."

According to J. H. Doshi "the future belongs only to industry and not to trade" which cannot flourish in our country as in Japan. This is because of elimination of middlemen (by establishing institutions like the State Trading Corporation) has been one of the important policies of the government. Naturally, according to him, future for an energetic entrepreneur lies in the industrial field.

The main difference between a trader and a manufacturer lies in their time perspective. While the trader seeks short-term gains, the industrialist has to take a long-term view. He has to seek steady profits over a long period of time and, if necessary, sacrifice profits in the short run. There is also difference as regards skill required by the two. Trader specialises in the skill of buying and selling; the industrialist has to be a versatile person. He has to know something of industrial processes, economics, finance, labour affairs, management problems, research and development, productivity, marketing, government relations and management. According to the author, adaptability to his new environment is vital for the success of an industrialist. Continual process of education is a must for success in running an industry. And above all, the author has warned that "new industries are not for those who wish to enjoy a soft life."

the pitfalls

As regards pitfalls to be avoided by a new entrepreneur the author has warned that he should not go into a new industry after graduation; he must acquire knowledge of fundamentals of finance and some knowledge of foreign exchange; he must not jump into a big venture but should go in for a venture compatible with his financial resources; he must acquire full knowledge of goods to be manufactured and also its marketing; and he should avoid, as far as possible, one-product industry.

The new entrepreneur will have to do careful thinking and planning as to what form of business organisation he is going to adopt—individual proprietorship, partnership, a private limited company or a public limited company. Each has its merits and defects and proper choice of business organisation is going to vitally affect the future of his business.

'bridge finance'

A new entrepreneur will have to be very careful about finance which he is in a position to get today fairly easily from public financial institutions. Loans should not be availed of at one stroke; banks will help with what is known as 'Bridge Finance'. The projected estimates should be on a generous scale, providing for every contingency as escalation of costs at every stage is quite a common feature of many new ventures these days. The new entrepreneur will find it difficult to get deposits and loans. He must operate on available working funds with utmost care especially because suppliers of goods will not generally extend credit to him as they would to established ones. The new entrepreneur must also take note that "the tide of fortune does not rise all the time"; he should therefore provide for periods of recession, ensuring financial viability even if the enterprise operates only on a part of installed capacity. When there are good profits in initial stages, "the day of problems should always be kept in mind". The financial strength built out of profits in initial stages will always stand him in good stead.

According to the author, while selecting a factory site, accessibility of raw materials, skilled labour, power, transport, water as also marketing facilities should all be taken into account. He should show foresight in selecting factory site and should be careful in providing for possible future extension as was done by Phirzha Godrej and Kasturbhai Lalbhai while choosing factory sites at Vihkroli and Bulsar, respectively. He should synchronise the schedule of land acquisition, construction of building, power connection, recruitment of basic personnel, and acquiring of different machines and finance. If these exercises are done carefully, capital cost of the gestation period of industry will be redude considerably

A new entrepreneur will face a numbe of problems initially. He should therefo have a pilot plant and a trial run an test-market his product which is bound t face competition from rivals and importe goods, especially when buyers' market emerging. He will have to master the a of inventory management which will be come the first charge on his ingenuity "Inventory management is the gramma of industrial language." In this connectio the author has warned new entrepreneur not to take anything for granted.

As regards personnel policy the new entrepreneur should be careful to avoid relatives and friends (except for some posts of confidential nature) and choose right persons for right jobs. He should see that highbrow and highly priced personnel do not become a liability; nor should he go in for low-priced but useless persons. He should build a second line of command and should solve problems through regular channel. He must be both firm and sympathetic. He will have to depend upon "pragmatism based on one's own experience." He will have to broaden his vision by selective reading, business travels and by establishing contacts with various institutions.

This small booklet excellently written and produced wauld provide more insight and guidance to new entrepreneurs than half-a-dozen books of management. The book may be said to contain the quintessence of four decades of experience of J.H. Doshi in the industrial field. Every statement and proposition carries the stamp of authority.

RURAL EMIGRATION

Dr D.P. Saxena in his book *Ruruban Migration in India* has made an attempt to analyse the impact of emigration on the social and economic life of villagers in eastern UP. The author has selected four villages in the eastern part of UP which by any standard is one of the poorest regions in the country. In this region the density of population is about 1000 per square mile and floods and droughts are a common occurrence. Too much fragmentation of holdings, an age-old system of farming, shortage of cheap chemical fertilisers, lack of better seeds and irrigation facilities have all made the holdings uneconomical. Crop output is low and there are hardly any industries in this area to offer alternative employment opportunities. A man gets his usual subnormal meal only once a day and the ruling wage rate is about 12 paise for whole day's work. An average family of five in eastern UP earns annually about Rs 624 while his expenditure is about Rs 644. Percentage of dependency on agriculture in this region is about 85 and landless agricultural labourors come to about eight per cent. Socially the region is least urbanised and the social life in these parts is equally backward in the sense that there has been little modernisation in respect of communication, education and pattern of occupation. The social customs of the people are closely related to agricultural economy and social structure is dominated by caste and creed. No wonder people have been emigrating from such a region for their betterment by escaping from the miserable living conditions.

attachment to farming

Analysing emigration, the author found that generally people liked to emigrate either within the district or at best within the state. This shows their strong attachment to agriculture as also strong sense of belonging to their villages. The author found that there has been a steady flow of emigrants, though on two occasions emigration rose considerably, once after independence and again on launching of the second five-year Plan with emphasis on industrial development. The frequency of visits to native villages by emigrants was in a majority of cases once a year, casually employed however visiting their villages more frequently. Most emigrants however maintained close contacts with their villages through correspondence.

Among the causes of emigration, the economic push is the most important one resulting in increasing population, shrinking per capita cultivable land, decline of handicrafts and rural employment. Other causes were persuasion of friends and relatives, hope of getting a better job, and prospects of starting a new business. The analysis of causes of emigration shows that emigrants are pushed to and not pulled by the cities. The author found that urban pull was as yet insignificant as it accounted for only two per cent of emigrants. It was also found that emigrants of all castes and creeds have responded to the same set of causes and there are no castewise variations in this regard. The only important fact that was noticed was that emigrants generally came from so-called lower castes and lower income groups.

self-supporting earners

As regards economic consequences, it was found that about three-fourths of the emigrants had become self-supporting earners. The incomes of emigrants' families went up considerably after the head emigrated. The families of emigrants could also save some part of income and this further helped to bring about steady improvement. Normally these savings were deposited by emigrants' families in postal saving banks or cooperative societies.

Majority of emigrants earned between Rs 100 and Rs 200; most of them were employed temporarily and only about 13 per cent permanently. This explains persistent contacts of emigrants with their villages. Anyway there was definite economic improvement in the case of emigrants and their families.

As regards social and cultural consequences, a number of changes have come about in the structure of caste system, joint family, marriage and festivals. The most significant change is that there is overall improvement in the social status of families traditionally considered as low caste. Also contact with urban life seems to have greatly transformed the outlook of people in regard to marriage, social taboos and observance of festivals. For example, emigrants' families were at least mentally prepared for inter-caste marriages. The caste system with its numerous taboos and restrictions no longer seems to sway the minds of people. For example, age of marriage has gone up slightly in place of child marriages which at one time were quite common. The emigrants bring a lot of new ideas to villages and it is through them that native villagers come to know of fashions in dress, and urban mode of behaviour and living. Emigrants' outlook has been the most important instrument of change in village life. The study shows conclusively that villagers' contact with the city has been the most effective instrument of social change in the countryside.

The book based on the author's doctoral thesis makes interesting reading. There are a number of details illuminating the pattern of living in the countryside. The author's statement that his conclusions though drawn with reference to only four villages in eastern UP should hold good for the rest of the villages in the country appears valid. The one important lesson that comes out of this absorbing study is that if economic progress demands change in outlook and value-system of people in Indian villages, the surest way to bring about that change is to break the isolation of Indian villages and bring them into increasing contact with urban areas. This would require a veritable revolution in the field of transport and communications. Continued isolation of Indian villages would mean persistence of antiquated outlook and institutions with which it would be practically impossible to bring about economic progress.

FILLING THE GAP

Considerable encouragement is being given these days to new entrepreneurs to establish new industrial projects in medium and small industries sectors. As a result of government's policy, and incentives and financial assistance provided by public sector financial institutions, a new class of professional entrepreneurs is emerging in India's industrial field. Unfortunately it is found that these neophytes are often not well acquainted with the complexities of project formulation. One of the important aspects of project formulation is the assessment of market potential for the product which an entrepreneur proposes to manufacture.

In a seller's market, failure to assess market potential may not result in much damage, but with buyer's market emerging in the case of many commodities, this lacuna in project formulation would certainly produce adverse impact on the business. There are many instances when projects came to grief because market assessment was neglected or due to failure to ecide upon scale of operations, the prouct-mix and the market strategy. Intellient appreciation of market conditions is must, if entrepreneurs are to survive the kely vicissitudes and make success of eir business. But unfortunately there a significant gap in existing literature on e subject and therefore K.V.S. Menon as done well to fill this gap by writing is fairly exhaustive book *Market Study or a New Industrial Project* on the subect, keeping in view the Indian backround. Incidentally there are a number f books on the subject written by mareting experts in western countries; but ome of the techniques adopted in those ountries do not appear to suit Indian ituation.

The author has rightly emphasised the ommercial feasibility of a project, along vith its technical feasibility, financial oundness and economic viability. Of ate, the study of market for the product r products proposed to be manufactured as assumed a new dimension in the vake of recession in certain industries as lso growing incidence of industrial sickess in the country. Entrepreneurs must ealise that with acceleration of industrialiation and consequent diversification and ophistication of the industrial sector, here is urgent need for careful market ppraisal of demand aspect which is "ultimately the fulcrum on which the success r otherwise of an industrial project revolves."

demand analysis

In this book the author has dealt with various aspects of market study and demand analysis such as the importance of market studies before launching a new venture, techniques of demand forecasting, preparation of market survey reports, appraisal of market reports by decisionmakers and so on. What is significant is that the author has kept in view the Indian background throughout the analysis.

For many entrepreneurs who have not studied economics at any stage in their educational career, the theoretical analysis, in spite of Indian illustrations, may be beyond their comprehension. They can however profitably turn their attention to part II in the book where the author has presented case studies. The case studies in respect of dry battery, cotton textiles, vanaspati, steel, scooters and tractors, should explain all the fundmentals involved in market survey.

At present, financial institutions while sanctioning loans are attaching increasing importance to demand aspect of the product proposed to be manufactured by new entrepreneurs. Apart from the importance of market survey at all times and especially when the industrial structure in India is becoming more and more sophisticated, the above aspect enhances the practical utility of this book to the new class of emerging entrepreneurs.

ROLE OF BANKING

A number of important questions have arisen in the field of commercial banking in India: What should be the role of commercial banking in the context of changed socio-economic conditions in the country? How can the banking system solve the new problems before the Indian community? What are the implications of the changed situation on the organisation and functions of commercial banking in India? What techniques should commercial banking adopt to attain optimal efficiency and other related goals? These are all areas which are critical to the development of the national economy and welfare of the people. And though commercial banking in India has made remarkable progress during the last decade, much still remains to be done and hence the book *Perspectives in Indian Banking* by Gopal Karkal indicating what needs to be done in future in the sphere of commercial banking and how it should be done.

According to the author, the objectives of commercial banking policy would be: (i) To distribute credit to different sectors for productive purposes, (ii) to operate banking in a socially purposeful way, (iii) to have geographical and functional expansion of banking activities, (iv) to bring about necessary changes in the attitude of bank management in decision-making functions, (v) to identify the needs of customers and try to satisfy them, and (vi) to assess the growth potential in the economy and help develop it through appropriate lending policies and thus become an instrument of national development and also of social justice. In other terms, commercial banking in India hereafter will have to be "more rural oriented, productivity oriented and also mass oriented, more deposit and investment oriented." Banks will have to help attain social and economic goals before the country as much as it lies within their power to do so. This is a totally different and radically new role which has been thrust upon commercial banking in India after independence and especially after their nationalisation and they must equip themselves to play this new role effectively.

As part of development-oriented banking, commercial banks will have to undertake some sort of a credit planning which involves estimation of credit needed by various borrowing units (which depends upon volume of production, volume of sales, volume of purchases of various inputs, gestation period necessary to turn out products, and efficiency and attitude of management and so on), and assessment of available funds (which depend upon level of income, propensity to consume and save, degree to which banking habits have developed, accessibility of banking institutions and so on).

credit planning

Thus with some sort of credit planning, commercial banks will have to play an increasingly important role in a planned economy by spreading more evenly institutional credit, by ensuring credit to the neglected sectors of the economy, and distributing adequate credit on reasonable terms and at the right time. In effect, according to the author, "every bank in an underdeveloped country (or region) will have to be a development bank." Banks will have to identify with local problems and local developments.

In view of the plan objective of raising the level of employment and remove mass poverty, commercial banks will have to come to the help of the neglected sectors of the economy in an increasing way. So far their financial needs could not be met by commercial banks because of (i) poor borrowers' inability to provide satisfactory and eligible securities, (ii) lack of contact between them and institutional credit agencies, (iii) delays in following procedures for sanctioning loans, (iv) unsuitability of institutions' terms and conditions of loans, and (v) lack of interest of these institutions in lending to weaker sections. Banks will have to be liberal hereafter, if necessary by changing some of the old procedures and methods in granting loans to weaker sections of the community. Banks must be interested in the entire cycle of their economic activity (i.e. production, distribution and consumption) and thus initiate the process of self-sustained growth in these neglected sectors. In the interest of national growth, it is better that these weaker sections of the community are assisted to break the vicious circle of poverty.

Naturally, according to the author, this new task before commercial banks in the country will involve many organisational and procedural changes. In order to reach remote village, devices such as one-man bank and mobile banks may have to be adopted whereas the procedures to be adopted must suit the socio-cultural background of the people to be served.

Unfortunately there are very few really good books on Indian commercial banking. Even this book by Gopal Karkal has many defects. The ideas lie scattered and have not been fully worked out and properly integrated; and data only upto 1968 is generally given in a book published in 1977. Reference to a few bulletins of the Reserve Bank would have sufficed to bring the data up-to-date and enhance to utility of the book to the students of banking. Even with all these gaps, the book has succeeded in projecting the perspectives which commercial banking in India will have to keep in view hereafter and in giving adequately to the readers ideas regarding the new developmental role which commercial banks in developing countries will have to assume in the changed context.

IRRIGATION

This monograph, *Irrigation Projects in India—Towards a New Policy* by K. Puttaswamaiah makes an attempt to examine the pros and cons of the economics of the major irrigation projects vis-a-vis the minor irrigation projects with the help of empirical data now available.

Huge investments have been made during the Plan period for the development of irrigation in the country. At present only about 44.10 million hectares of area have been exploited as against the overall irrigation potential of about 107 million hectares.

The Janata government has been laying great emphasis on the agricultural sector. There is a direct relationship between agricultural and rural development and availability of irrigational facilities. The author has made an attempt to make out a case for small irrigation projects as against the gigantic irrigation projects undertaken during Nehru era on the ground that in the capital-scarce country like India, investments in minor irrigation projects and on tanks and wells would bring quicker returns both in monetary terms to the government and in terms of additional agricultural production. It would also bring about balanced regional development in contrast to huge irrigation projects which bring prosperity to certain regions at the cost of others. The author has maintained that "The minor irrigation works would help all as against a few at the cost of all."

project appraisal

The author wants that sophisticated techniques of project appraisal should be made use of in respect of all major irrigational works to determine the returns on investments. In India during 1951-52 to 1976-77 Rs 4600 crores have been invested on irrigation projects. Water supply to land has been extended from 22.6 million hectares in 1950-51 to 45.4 million hectares by the end of 1975-76. India is still required to import agricultural produce which goes to show that she has yet to go a long why in providing additional irrigation facilities. Concentrating on gigantic irrigational projects has neither helped in bringing adequate financial returns on investments to government, nor helped to fully exploit potential water resources, nor made the country's agriculture progressive and productive as in developed countries.

According to the author, the water resources of the country have been estimated at 1,88,100 crores cu. m. of which 87,000 crore cu. m. can be utilised for purposes of irrigation. In addition to these, it has been estimated that about 350 thousand million cu.m. (285 million acres feet) sink into the soil and get stored underground. At the end of March 1975 only about 39 per cent of total available water resources has been made use of. This emphasises the need for digging a large number of tanks and wells to tap underground water. Emphasis on major irrigation works in addition to producing regional imbalances and poor financial returns, has not made it possible to make maximum use of potential water resources in the country. Droughts continue as before and Indian agriculture still continues to be a gamble in the monsoon!

inherent bottlenecks

According to the author, the inherent bottlenecks of major irrigational projects have been responsible for only marginal and delayed returns on investments in them. There has been lack of cost-consciousness in the case of major irrigation works and it is this which has come in the way of misdirection of scarce capital resources in the country and very slow rate of progress of the agricultural sector which in turn has hampered the rapid development of the industrial and other sectors of the economy.

According to the author, minor and well irrigation has several advantages. It involves lower investment per acre and lower maintenance costs. The gestation period is small and utilisation of minor irrigation works is quicker and involves much less overhead expenditure. The author has maintained the minor irrigation works are more beneficial than major and medium works from a benefit-cost angle in the short-run. The author therefore wants that "the future policy should have an accent on minor irrigation with a modification to the effect that the large and medium projects should also be taken up when the exchequer is having safe breathing." He has insisted that the slogan for the coming years should be: "Rural infrastructure (especially minor irrigation projects and wells) for rapid growth". This should be regarded as the king-pin of developmental strategy for 1980s. There has been failure to do this so far resulting in increasing mass poverty and failure to do that again would mean "a chain of failures long the line in the form of more roughts, more food shortages, shooting p of prices, lower tempo of industrial evelopment and a swelling army of the nemployed." Major, medium and minor rrigational works are complementary to one another and the author admits the advantages of multipurpose giant major rrigation works. But for some time the emphasis will have to be on minor irrigation works, tanks and wells. This would mean both the most efficient use of capital resources at the disposal of the country and quickest returns in the form of additional agricultural produce so urgently needed in the country both to combat inflationary pressure and to relieve misery of the masses.

That the irrigational strategy on which agricultural development almost wholly depends in a country like India has misfired appears to be evident from the fruits we have been enjoying after a quarter century of planning which has made hardly any perceptible difference in our per capita availability of foodgrains in the country in spite of tremendous potential. Bigness fascinated Jawaharlal Nehru not only in the industrial fields but also in the irrigational field with extremely unfavourable chain reactions throughout the economy until we came to realise that 'small is beautiful'. In a capital poor and labour-surplus country there is a very strong case during early stages of development for minor irrigational works which are being emphasised by the new government. Economics of minor irrigation works indicates that the strategy should pay off.

FISCAL POLICY

The Economic Research Division of the Birla Institute of Scientific Research, New Delhi, as part of its research programme, brings out from time to time research studies having a bearing on important aspects of national and international economic problems. Bakshi D. Sinha, the director of research, has written *Fiscal Policy and Economic Growth*, as a part of the research programme on the important subject of fiscal policy and economic growth.

According to the author, the budgetary policy of the government of India as enunciated from time to time during the last 30 years has been aiming at such objectives as reduction of glaring income disparities, restraining inflationary pressures, minimising quantum of deficit financing, controlling recession and stagflation, more effective resources mobilisation for investment purposes to accelerate the growth of the economy and so on. And yet the budgetary policy of the government of India (of which taxation policy is an important constituent) has come to be so conducted that, according to the author, the policy has led to slow growth rate, sectoral imbalance, lack of investment capital, lower production, mounting unemployment, low per capita income and inflationary trends. The author has rightly maintained that the fiscal policy in India has been vacillating in nature during the last 30 years. Naturally he is keen on analysing to what extent "the changing fiscal policy has affected the basic structure of the national economy and influenced its growth."

additional taxation

But the author has concentrated his attention on only one aspect namely the impact of additional taxation on the growth of the economy. In order to make clear the full implications of his thesis, the author has stated his assumptions as follows:

"(1) Additional taxes levied by the government from 1946-47 to 1976-77 should have been in the hands of the people for investment.

"(2) The output generated by the additional investment thus left in the hands of the people would have been at the rate of 1.5 : 1.

"(3) The yearly reinvestment out of additional income derived by such investment would be of the order of 20 per cent of the total income generated, having two years of gestation period for each unit of investment to produce.

"(4) The price factor is based on wholesale price indices from 1946-47."

The author has worked out that during 1946-47 to 1976-77 additional taxes levied both by the union and state governments amounted to Rs 3,434 crores. The author states: ".....if this amount had been left in the hands of the people for investment, it would have accelerated the growth of Gross National Product, the per capita income and consequently the total tax revenue to the government at a much faster rate with a multiplier effect."

Assuming that all the amount had been left with the people for investment, instead of being collected by additional taxation, and assuming output-investment ratio of 1.5 : 1.0, "the additional GNP from additional investment ought to have been... Rs 234,590 crores in 1976-77." The actual GNP was Rs 66,318 crores in 1976-77. According to the author, "this would show an increase of 4.53 times from the actual GNP achieved in 1976-77." According to him, "the per capita GNP without price factor would increase from Rs 1,087 to Rs 4,973 in 1976-77."

salutary effect

The author observes that a consistent increase in the rate of growth of the economy...."will have its salutary effect on taxation system." The author has worked out that "the total tax revenue receipts over and above the actual revenue receipts would have increased by Rs 217,978 crores. The additional revenue receipts would have improved the situation by providing surplus from 1960-61." It is observed that "the combined budgetary deficits of the central and state governments amounted to Rs 7,046 crores." The author continues: "....we would not only have naturally wiped out this deficit of Rs 7,046 crores but also provided a surplus of Rs 210932 crores for development and growth."

On the basis of his calculations, the author concludes that there has not been coherent fiscal policy which might have met the basic problems of the country viz poverty and unemployment; the additional taxation levied every year, without increasing the purchasing power of the people affected their saving potential and the quality of their life. In order to tackle the basic problem of poverty and growing unemployment, the instrument of fiscal policy needs to be rationalised and made growth-oriented.

While broadly agreeing with the author's contention that government's taxation policy right from Sir Shanmukham Chetty to H.M. Patel has been a otch-potch based on ad hocism and lackng long-term perspective, one has to eject outright the authors's above thesis nd naturally all his conclusions. The ntire analysis appears to be based on ertain convenient assumptions which ave no validity.

The author has made the assumption hat the people would have invested all he amount if it were not taken away from hem by taxation. In view of the fact that major portion of additional taxation has ome out of excise and sales taxes which re generally regressive, it is more than ikely that in a poor country where the propensity to consume is high (0.7 per cent), a substantial amount would have been spent on consumption instead of being saved and invested. This is for example what is happening in the undertaxed agricultural sector, thanks to the demonstration effect. Even cooperative loans given for productive investment are being spent on consumption. The author should note that saving by the private corporate sector for the year 1976-77 amounted to only Rs 118 crores, thanks again to the demonstration effect, our high executives in private sector trying to emulate their counterparts in the developed countries.

source of funds

The author should have also noted that a substantial portion of the additional taxation of Rs 3,434 crores has come back to the private sector for investment purposes through public financial institutions which have become these days the main source of funds to private sector enterprises.

Also as the author has stated in the beginning, the purpose of additional taxation is not just mobilisation of additional resources for investment purposes but also to attain certain other objectives such as reduction of extreme income inequalities and balanced regional development. There has necessarily to be trade-off between the two objectives of rapid economic growth and distributional justice.

Also, even a tiro knows that government's expenditure policy must be kept in view while criticising taxation policy which cannot be viewed in isolation. While much is wrong with government's expenditure policy, it has also provided infrastructure facilities without which private investment would have faced many bottlenecks.

Further, even granting that there were no additional taxation and all that amount would have been invested by the people, the author has based his calculations of GNP and per capita income on the basis of output-investment ratio of 1.5 : 1. The author has not stated on what basis he has assumed this extremely favourable and unrealistic output-investment ratio. Charan Singh in his book on India's Economic Policy has arrived at the figure of 0.7 : 1 taking into consideration only fixed capital. If we add to this the variable capital, the ratio would be much lower say around 0.5 : 1, thanks to labour inefficiency and unsatisfactory industrial relations. This would mean that the author's figures of GNP and per capita income have got inflated to such an extent that the reader has to strain his eyes to convince himself that the figures are not misprints! Research to be worthwhile will have to be based on realistic assumptions. Otherwise research becomes merely an exercise in futility and therefore of absolutely no use as a guideline for policy.

Books Received

Unemployment in India: Policy for Manpower: K. Puttaswamaiah; Published by Oxford & IBH Publishing, Co, New Delhi; Pp 196; Price Rs 50.

Irrigation Projects in India—Towards a New Policy: K. Puttaswamaiah; Published by Nrusimha Publications, Bangalore; Pp 96; Price Rs 25.

Consultancy Services in the USA, Canada, India: I. Mosses; Published by the Federation of Indian Export Organisations, New Delhi; Pp 151; Price Rs 75.

The Indian Economy—Poverty and Development: Pramit Chaudhuri; Published by Vikas Publishing House Pvt Ltd. New Delhi; Pp 277; Price Rs 50.

Practical Hints for new Entrepreneurs: J.H. Doshi; Published by M.R. Pai, for Amritlal & Co Ltd, Bombay 400 016; Pp 74; Price Rs 5.

Report on a Study of the Debt-Equity Ratio Norms: B.K. Madan; Published by Management Development Institute, New Delhi; Pp 134; Price Rs 40.

The Waste and the Want: Romesh Thapar; Published by Orient Longman Ltd, New Delhi; Pp 125; Price Rs 40.

Theory and Practice of Accounting in Fishery Cooperative Societies: K.S. Ponnuthurai; Published by International Coop. Alliance, New Delhi; Pp 275; Price Rs 50.

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Indo-Pak Agricultural Cooperation

MR SURJIT Singh Barnala, minister for Agriculture and Irrigation, and Dr Amir Mohammad, Pakistan president's adviser on Food and Agriculture, have underlined the need for exchange of technical know-how and expertise in agriculture and allied fields for the mutual benefit of the two countries. This is of particular importance as agriculture being the mainstay of livelihood of the peoples of India and Pakistan, needs determined efforts for improving traditional methods by developing new technology.

Mr Barnala stated it was in the fitness of things that the first high level contact after re-establishment of diplomatic relations between the two countries, was made in the field of agriculture, as cultivation of the land was the major source of living for people both in India and Pakistan. In both countries, there were encouraging signs of determined efforts to fight the problems of low production by improving farming methods and evolving new technology, he added.

In his reply Dr Amir Mohammad said that India and Pakistan could benefit from each other's experience in the field of agriculture because physical and social conditions, across the border were almost similar. The areas of common interest, he said, were appropriate technology, efficient crop production and water management. He referred in particular to the threat to the sub-continent from locust population reported to be building up in the Horn of Africa and suggested that the menace could be checked only by a joint effort of the two countries.

Decision on Jha Committee Report]

The report of the Jha committee covers the entire gamut of indirect taxes levied both by the central government and the states and contains a wide range of recommendations. The Finance minister, Mr H. M. Patel stated recently that the government had taken the following decisions in relation to central excise and customs duties, keeping in view the recommendations of the committee; (i) Amalgamation of basic and auxiliary duties of excise; (ii) Conversion of specific duties of Central Excise into *ad valorem* levies as far as possible; (iii) Stepping up of duty under Item 68 of the Central Excise Tariff; (iv) Grant of set-off in respect of duties paid under Item 68 of the Central Excise Tariff, on inputs used in the manufacture of other excisable goods; (v) Reduction of Central Excise duty on water coolers; (vi) Reduction of Central Excise duty on pumping sets; (vii) Revision of the Central Excise duty structure on cotton fabrics (except fine and superfine) in relation to the value of the fabric rather than physical specification relating thereto; (viii) Reduction of import duty on stainless steel sheets, strips and plates used as raw material for the manufacture of specified capital goods (machinery) and components.

New Wheat Varieties

The Soviet Union will give India new varieties of wheat and also the man-made "triticale" variety which it has developed. This was stated recently by academician N.V. Turbin, leader of the four-member Soviet delegation to the wheat symposium held recently. The Soviet high yielding wheat varieties to be given to India are "Odessakaya-51", "Odessakaya-66" "Polikarlikovaya" and "Chaika". Academician Turbin said the USSR proposed to give samples of triticale to India for breeding on an experimental basis and the "prospects for this variety depended on India's climatic conditions".

Salem Steel Plant

Mr Biju Patnaik, minister of Steel and Mines, stated recently that the first stage of the Salem steel plant was now under execution and production was expected to commence towards the end of 1981. He further informed that the investment during the first stage was estimated at Rs 126.81 crores. The second stage of the steel plant would cost Rs 433.19 crores, but no decision had yet been taken on its implementation. An annual production of 32,000 tonnes of cold rolled stainless steel sheets and strips was envisaged after the first stage was completed. The balance facilities for iron and steelmaking, hot rolling and cold rolling of stainless electrical and other special steels, starting from iron and scrap would be established in the second stage.

The progress of work at the Salem steel plant is quite good. Most of the infrastructure work at the site has been completed. Tenders for the main plant and equipment have been received and construction of the cold rolling mill complex has already commenced.

Minerals in the Andaman Islands

The minister of Steel and Mines, Mr Biju Patnaik, told the Rajya Sabha, in reply to a question that the Geological Survey of India was continuing investigations for mineral deposits in the Andaman and Nicobar group of islands. The survey of ultramafic rocks is being done for platinum, cobalt, chromium etc. A search is also being made for diatomaceous earth while another survey has been taken up for copper deposits. The prospecting work was still at a preliminary stage and the question of exploitation of these minerals will be taken up only after the survey have been completed and the economic viability of the deposits has been established.

Fertiliser from Canada

Canada and India signed a loan agreement recently for Rs 7.1 crores for the supplyof Canadian fertilisers and fertiliser material. This is an additional loan, supplementary to an earlier loan of approximately Rs 27.05 crore for fertiliser made available to India last October. The agreement was signed at a ceremony in the ministry of Finance by the Canadian High Commissioner to India, Mr R.L. Rogers and Dr Manmohan Singh, secretary of the department of Economic Affairs. The new loan carries o interest, commitment or ervice charges and it is repayble in 50 years which includes 10-year grace period. The oan funds will be used for the urchase of muriate of potash, rea and sulphur according to ndia's requirements. It will lso cover the ocean freight osts incurred in shipping the ertiliser to India.

New Telephone Exchange for Delhi

A 10,000 lines main telephone exchange was commissioned at Hauz Khas, New Delhi. This s the thirty seventh exchange n Delhi Telephone system. This exchange is located at the junction of Aurobindo Marg and outer Ring Road. The Communications minister, Mr Brij Lal Verma, formally inaugurated the exchange. The main exchange equipment for the Hauz Khas II Exchange (66) has been supplied by M/s Nippon Electric Company of Japan. The interconnecting equipments at other exchanges have been supplied by M/s Indian Telephone Industries Ltd and the underground cables have been supplied by M/s Hindustan Cables Ltd. The planning and installation of this exchange, the planning and execution of all cable works and other connected works have been carried out by the engineers and staff of Delhi Telecommunications.

With the commissioning of this exchange, the Hauz Khas exchange area will be extended with the inclusion of the entire area south of Ring Road now served by Jor Bagh exchange and some area now served by Okhla exchage. Approximately 5,000 lines served by Jor Bagh exchange and 700 lines served by Okhla exchange will be transferred to the new exchange. The capacity rendered spare in Jor Bagh and Okhla exchanges will be utilised for giving new connections as well as accommodating shift-in requests.

Indo-Vietnam Trade

India and Vietnam signed on February 26 four agreements to promote cooperation between the two countries in the fields of science and technology, agricultural research and trade. The prime minister, Mr Morarji Desai and Vietamese prime minister, Mr Phan Van Dong, were present when Vietnamese Foreign Trade minister, Mr Dang Viet Chau and External Affairs minister, Mr A.B. Vajpayee, Agriculture minister, Mr S.S. Barnala, Commerce minister, Mr Mohan Dharia and Finance minister, Mr H.M. Patel signed the agreement. With Mr Chau Mr Vajpayee signed the agreement on cooperation in science and technology. The agreement envisages cooperation through an exchange of scientists, specialists and scientific information. It also has provision for joint research on problems of common interest to both countries. Under this agreement the two countries may also exchange licences and patents.

Under the credit agreement signed by Mr Patel and Mr Chau, India will give a credit of Rs 10 crores to Vietnam for purchase of railway equipment and such other goods as might be mutually agreed upon. A part of this credit carries an interest rate of five per cent and repayments, spread over 10 years, will commence from 1982.

India and the Republic of Vietnam concluded another trade and economic cooperation agreement. Mr Mohan Dharia, minister of Commerce, Civil Supplies and Cooperation and Mr Dang Viet Chau, minister of Foreign Trade signed the agreement for the two governments respectively in presence of their prime ministers.

Under the agreement, the contracting parties shall accord each other most-favoured-nation treatment in all matters relating to trade between the two countries. All payments between the two countries shall be effected in freely convertible currency. The agreement incorporates two indicative lists of commodities available for export from the two countries. Among the items of export to India are locomotives, coaches and bogies, agricultural machinery, pharmaceutical products, electrical appliances and electrical wires and cables and pig iron, steel and products thereof and those from Vietnam, rice, vegetable oils, apatite and oilseeds.

The agreement provides for the promotion of economic and technical cooperation between the two countries and for this purpose, envisages encouragement of mutually agreed schemes and exchange of technical know-how, skilled personnel and technical trainees. The agreement will be valid for a period of three years with the provision of automatic extension by one year at a time, unless either contracting party gives a notice in writing three months before the expiry of the periods of its intention to terminate the agreement. There will be mutual consultations with each other, as and when necessary, to review the working of the agreement.

Market Survey in France

With the objective of assessing the market potential for selected products in selected markets, the Trade Development Authority had undertaken a market survey for scientific instruments in France, under the Indo-French Commercia Development Programme. Th report broadly covers majo findings and recommendations economy and foreign trade, th market for scientific instruments, market characteristic and products of interest t India, import policy relating t scientific instruments an recommendations etc. Copie of the report are available wit TDA for sale at Rs 13 (inclusive of Rs 3 for packing an forwarding).

New Aluminium Unit

The government has awarded a contract to Aluminium Pechiney, a well-know company of France, to carr out a feasibility study of th proposed integrated aluminium complex based on the eas coast bauxite in Orissa. Th company, which had held protracted negotiations with th state-owned Bharat Aluminium Company Limited (BALCO has been awarded the letter o intent for carrying out th study. Under the contractual agreement, the French company will complete the feasibility study by March 31, 1979. However, it is expected that i will be able to provide adequate information and data t BALCO before the end of the current year so as to enable i to take advance action on the proposed complex. It is envisaged that this feasibility study will ultimately lead to the realisation of an aluminium complex comprising a bauxite mine in Orissa, an alumina plant o a capacity of between 600,000 and 800,000 tonnes per annum and finally an aluminium plant of a capacity of 180,000 tonnes per annum. It is held that the proposed complex is being designed principally with an export orientation. This is particularly in the context of the alumina plant, a value added item for ort, where it is envisaged export a substantial quantity alumina. After meeting orts, the balance alumina is posed to be utilised for luction to aluminium in the elter which is being design-. The government is already ving a dialogue with a large mber of prospective buyers alumina to enter into a long-m contractual agreement, the o major contenders being an and the Soviet Union.

Aluminium Pechiney with headquarters in Paris is one the earliest producers to have tablished commercial produc-on of aluminium and is among e large aluminium producers the world.

Bokaro Blast Furnace

President Neelam Sanjiva eddy stressed the need for nking the growth of steel dustry in the country to the rosperity of the people around. naugurating the third blast rnace of the Bokaro steel lant, Mr Reddy cautioned that teel industry would not grow in nsolation but with the people round. He praised the efforts f the Steel ministry to link the rowth of the industry and its chievements with the people ot only in the industry, but utside also. He said: "I am lad that taking steel to villages or consumption in rural areas also receiving serious atten-ion of the government". Mr eddy said all steel plants in e country had been asked by he ministry to take a hand in e development of villages round them within a distance f 20 to 25 km. Special depart-nents were also being created n steel plants for this purpose. he inauguration of the third last furnace marked the com-letion of the 1.7 million-onne first stage construction of okaro steel plant. The Steel inister, Mr Biju Patnaik, the governor, Mr Jagannath Kaushal, and the chief minister, Mr Karpoori Thakur, were present at the function, which was attended by some Soviet leaders.

Afro-Asian Conference on Welding

An Afro-Asian Conference on Welding and Metals Technology was organised recently in New Delhi jointly by the Indian Institute of Welding (IIW), the Indian Institute of Metals (IIM) and the Association of Indian Engineering Industry (AIEI). Nearly 350 delegates participated in the conference. Apart from Afro-Asian delegates present were leading experts in the field from Japan, Britain, Holland, Sweden, the USA and also representatives of the International Institute of Welding. All aspects of welding and metals technology were considered in 10 technical sessions during the conference. The growth of the science and technology of metals and welding is directly related to the industrial development of a country and this is particularly true of developing countries.

India Liberia Cooperation

India and Liberia initialled two draft agreements for economic and technical cooperation and trade. "This is a modest beginning symbolising new relationship between India and Liberia," Liberian Planning minister, Mr D. Franklin Neal told newsmen after signing the draft documents. Mr V.K. Ahuja secretary (Economic Relations) and Commerce secretary, R.D. Thapar signed the agreements on behalf of India. The Liberian delegation which visited various parts of the country in small groups was "impressed" by what they saw in India. They found considerable scope for development of economic cooperation sharing the experience of both countries. The draft documents which will be finalised during the visit in May of Liberian Foreign minister identified different fields for cooperation and development.

Liberia exports 25 million tonnes of iron ore to west Europe. Liberia would like to set up steel mills to meet its domestic requirements of steel. MECON which had sent a team to Liberia had prepared a feasibility report which was

FORM I - A

NOTICE

It is hereby notified for the information of the public that Shriram Bearings Limited proposes to give to the Central Government in the Department of Company Affairs, New Delhi, a notice under sub-section (1) of section 21 of the Monopolies and Restrictive Trade Practices Act, 1969, for substantial expansion of its activities. Brief particulars of the proposal are as under :—

(i) Name(s) of person(s)/body corporate owning the undertaking. — Shriram Bearings Limited.

(ii) Capital structure of the applicant undertaking.

Authorised	**Amount/Rs.**
15,00,000 equity shares of Rs. 10 each	1,50,00,000
50,000 cumulative, redeemable preference shares of Rs. 100 each	50,00,000
TOTAL	2,00,00,000
Issued, Subscribed and Paid-up	
5,50,000 equity shares of Rs. 10 each	55,00,000
20,000 11% cumulative, redeemable preference shares of Rs. 100 each	20,00,000
TOTAL	75,00,000

(iii) Details of the proposed substantial expansions :—

(a) Names of new goods to be produced, supplied, controlled or distributed or of new services to be rendered. — Manufacture of (i) Needle Roller Unit Cages/Thrust Cages and their assemblies; (ii) Shell Type Needle Roller Bearings and their assemblies; (iii) Needle Roller Bearings and combined Needle Roller/Thrust Ball Bearings and their assemblies; (iv) Roller/Needle Bearing assemblies for Spin Spindles; (v) Roller/Needle Bearing assemblies for Spindle Inserts; and (vi) Needle Rollers.

(b) In the case of substantial expansion of existing activities :—
(i) Names of goods
(ii) Capacity before expansion
(iii) Expansion proposed
(iv) Location of the project for substantial expansion
(v) Brief outline of the cost of the project, the scheme and sources of finance

This is not a case of substantial expansion of existing activities.

2. Any person interested in the matter may make a representation to the Secretary, Department of Company Affairs, Government of India, Shastri Bhawan, New Delhi, within 14 days from the date of publication of this Notice, intimating his views on the proposal and indicating the nature of his interest therein.

Sd/-
SHRI DHAR
Managing Director, Shriram Bearings Limited.
DCM Premises, Bara Hindu Rao, Delhi-110006.

Dated : this 27day of
February, 1978

being considered by the government of that country. Liberia is also an exporter of rubber. It would like to produce tyres and tubes. Preliminary investigation about the possibility for commercial exploitation of the rubber was proposed to be taken up. This is to be entrusted to the National Industrial Development Corporation (NIDC). Liberia is an exporter of diamonds and ways to cooperate in this field were also being considered. Liberian palm oil, coca etc. might also be imported by India.

GIIC Assistance for New Units

The Gujarat Industrial Investment Corporation has sanctioned financial assistance of about Rs 13 lakhs to technocrat/professional entrepreneurs to start new projects in the medium scale sector under the Seed Capital Scheme of IDBI. While this assistance has been provided to three units, two more units have been recommended for sanction of Rs 4.50 lakhs. The three units already sanctioned will generate investment of over Rs 162 lakhs of which Rs 120 lakhs will be in the centrally notified backward district of Broach. The range of investment in those units vary from Rs 25 lakhs to Rs 95 lakhs. The projects sponsored have an accent on technical bias and would produce tungsten carbide products—15 tonnes per annum, special grade castings—500 tonnes per annum and about 95,000 pieces of sophisticated hand tools. They will also generate direct employment for about 140 persons in the backward district. The castings project being set up in Ahmedabad will employ about 45 persons.

An important aspect of the Seed Capital Scheme is the nature of assistance. The assistance limited to Rs 10 lakhs or 10 per cent of the project cost whichever is less forms part of the promoter's share capital. The projects are required to be of techno-entrepreneural bias and fixed capital investment not exceeding Rs 1 crore. The assistance is available to techno entrepreneurs for their first venture in the medium scale sector of industry as equity subscription in public limited companies, as redeemable cumulative preference shares in private limited companies and as interest free soft loan to proprietory/partnership firms with nominal service charge. Among the projects sanctioned Seed Capital Scheme, Rs 7.125 lakhs has been provided to one unit by way of equity shares, Rs 3.5 lakhs to the 2nd unit by way of redeemable cumulative preference shares, and Rs 2 lakhs as soft loans to the 3rd unit. The two units now under consideration will generate investment of over Rs 80 lakhs.

Tea an Essential Commodity

The inclusion of tea under the Essential Commodities Act is an unnecessary control imposed on the tea industry, according to the United Planters' Association of South India. Following the increase in tea prices last year, the industry has cooperated with the government in every way by increasing production to the record level of 561 million kg in 1977, by selling the bulk of its output at the principal auction centres in India and by opening retail outlets to the extent possible. As a mass consumption article—though not essential except by formal declaration—there is no complaint about the shortage of tea and auction price for the grades commonly consumed in the country is now of the order of Rs 12 per kg. As it is, the Tea Act, 1953, gives wide powers to the government over production, distribution and pricing policies relating to t beverage. There is, therefo no justification for extendi the provisions of the Essent Commodities Act, stated UPASI press release.

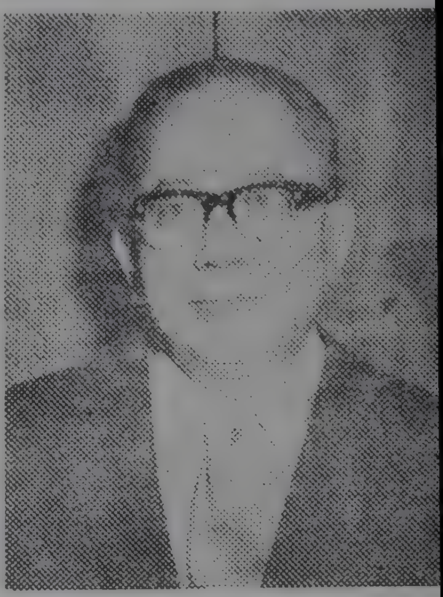
Names in the News

Mr Justice Sesha Iyenger Rangarajan, a judge of the Delhi High Court, took over as chairman of the Monopolies and Restrictive Trade Practices Commission (MRTPC) on February 24. He will hold his office for a period of three years or until he attains the age of sixty-five years.

Mr H.S. Majumder has taken over as the deputy managing director (Operation) at the State Bank of India, central office, Bombay from February 1, 1978. Prior to this appointment Mr Majumder was chief general manager in charge of Bengal circle. He was manager of the London office of the State Bank of India and managing director of State Bank of Saurashtra.

Mr H. S. Majumder

Dr Ranjan Banerjee is the new president of the Indian Institute of Personnel Management (IPM), which is the premier body in the country concerned with personnel management, industrial relations and labour welfare. Dr Banerjee, who was the personnel director of Hindustan Lever Limited since June 1970, is a past vi president and member Central Executive Council the institute. He is also executive member of Weste Regional Committee of the E ployers' Federation of Indi He is also a past president the Bombay Management A sociation.



Dr Ranjan Banerjee

Mr Santosh Kumar Chakr borty has been appoint general manager of Bank India. He has nearly 40 yea of field experience in banki and developmental activiti in India and abroad. M Chakraborty was the secreta of the National Small Indu tries Corporation and a dire tor in the Development Co missoner's office of the min try of Industrial Developme for six years. He was also t ex-officio secretary of the India Small Scale Indus Board. Mr Chakraborty i member of the study group Rural Electrification, co mittee on Urban Cooperat Banks and the transport su committee of the Indian Ban Association.

COMPANY AFFAIRS

eepak Nitrite

EEPAK NITRITE Ltd, which had
roduced good results for the
ear ended October 1977, has
pplied for a letter of intent to
nanufacture ammonia based
n natural gas from Bombay
ligh at the rate of 260 tonnes
day: It has already located
plant based on the modern
echnology which is viable
ven in comparision with the
resent-day giant ammonia
lants. In the context of the
overnment's policy, the com-
any expects a favourable
esponse to its application for
letter of intent. Meanwhile,
he company has already in-
reased the installed capacity
f its nitric acid (dilute) plant
o 14,000 tonnes. Most of the
quipment for the expansion
rogramme had been fabricat-
d by the company itself. Dur-
ng the current year, the plant
s expected to reach its full
icensed capacity of 18,000
onnes. The company has also
aken up plans to manufacture
oncentrated nitric acid based
n the know-how developed
y its own research and deve-
opment division.

ajaj Tempo

Bajaj Tempo has shown
ncouraging working results for
he year ended September,
977. Sales have increased from
s 22.50 crores in 1975-76
nd the gross profit from
s 2.83 crores to Rs 3.05
rores. A higher equity divid-
nd of 18 per cent has been
leclared against 10 per cent
aid for in the previous year.
After providing Rs 54.81 lakhs (Rs 46.26 lakhs) for depreciation and Rs 23.60 lakhs (Rs 15 lakhs) for investment allowance, the balance profit amounts to Rs 226.08 lakhs (Rs 223.43 lakhs), from which taxation and dividends will be paid. The company has recently received permission from the Controller of Capital Issues for the issue of bonus shares in the ratio of one for one.

Century

The preliminary statement from the Century Spinning and Manufacturing Co. on its working results for 1977 shows that sales and profits are marginally higher than in the previous year. The dividend kept unchanged at 23 per cent is however, covered more than two and a half times by year's earnings. Gross sales have risen by 7.7 per cent from Rs 114.35 crores in 1976 to Rs 123.19 crores in 1977 and the gross profit by 3.1 per cent from Rs 15.27 crores to Rs 15.75 crores. After providing Rs 223.47 lakhs (Rs 236.81 lakhs) for depreciation, Rs 50 lakhs (Rs 11.50 lakhs) for investment allowance, nil (Rs 25,000) for depreciation development rebate reserve and Rs 625 lakhs (Rs 600 lakhs) for taxation, the net profit works out at Rs 677.31 lakhs (Rs 753.10 lakhs). A sum of Rs 433.84 lakhs (Rs 508.23 lakhs) has been transferred to the general reserve. Equity dividend will absorb Rs 244.87 lakhs. About 34 per cent of the dividend is expected to be tax-free in the hands of shareholders under Section 80 K of the Income Tax Act, subject to the confirmation of the income tax officer, for which necessary application is being made. The gross block has risen from Rs 65.38 crores at the end of 1976 to Rs 68.23 crores at the end of 1977 and the net block from Rs 27.98 crores to Rs 28.81 crores.

Texmaco

Texmaco proposes to make an application to the government for setting up a portland cement unit with a capacity of 400,000 tonnes per annum. The project is estimated to cost Rs 25 crores and is proposed to be financed from the company's own resources and borrowings from financial institutions and banks. The project, which is planned to be located in Andhra Pradesh will have an annual turnover of about Rs 12 crores. The company has also sought the clearance under the MRTP Act for its cement project.

Warner Hindustan

Warner Hindustan Ltd has announced encouraging results for the year ended November 30, 1977. The turnover has gone up from Rs 10.02 crores to Rs 11.79 crores. The gross profit has gone up from Rs 1.54 crores to Rs 2.13 crores. The directors have not recommended any final dividend for the year. The first and second interim dividend on equity shares together totalled 25 per cent on an enlarged capital. Last year also the total dividend distribution was 25 per cent but on a lower capital. Allocations include Rs 21.93 lakhs for depreciation (Rs 20.07 lakhs), Rs 19 lakhs for taxation (Rs 79.25 lakhs) and Rs 3 lakhs for investment allowances reserve (Rs 40,000). The net profit is placed at Rs 69.11 lakhs against Rs 54.71 lakhs in the preceding year. The general reserve claims Rs 10.27 lakhs (Rs 23.06 lakhs).

Dadri Woollen Mill

An integrated woollen mill is to be established at Dadri a backward area in Ghaziabad district of UP, in two phases. In the first phase, Kalindi Woollen Mills is to set up 600 spindles for the manufacture of shoddy yarn and woollen blankets. The second phase envisages the manufacture of worsted woollen yarn and fabrics. The company has imported two carding machines from Poland. Worsted woollen machines are to be procured indigenously. Substantial progress has been achieved in the implementation of the first phase of the project. It is expected that trial production of shoddy yarn will commence in April and commercial output shortly thereafter. Mr H.S. Goenka, director, stated that barring unforeseen circumstances, the second phase of the project will be completed by the year-end. In view of encouraging demand for shoddy and worsted yarns, no marketing problems are expected. Satisfactory arrangements are likely to be concluded for meeting the export obligation of 15 per cent of its production.

The capital outlay of 73.66 lakhs on the project is to be met by share equity capital of Rs 22.60 lakhs, preference shares of Rs 3.56 lakhs and term loans from financial institutions of Rs 47.50 lakhs. The promoters have already subscribed to 100,000 equity shares of Rs 10 each and 3,560 non-redeemable preference shares of Rs 100 each. A public offer of 126,000 equity shares of Rs 10 each and a sale offer of 9,600 shares of

Rs 10 each by the promoters are likely to be made shortly.

Rallis India

Rallis India Limited has not shown any improvement in its working in the first five months of the current year. Although the sales have gone up by about three per cent the company continues to show losses. Mr D.S. Seth, chairman, told shareholders at the annual meeting of the company in Bombay that the outlook for the current year was not promising. The company's fertilisers and pesticides division has been experiencing a reduction in its profitability owing to pressure on margins. The merchant division has been hampered by financial considerations, while the performance of the pharmaceutical and chemicals divisions has remained static. The fortunes of the pharmaceutical division are closely linked with government policies, a clear picture of which is yet to emerge.

Tungabhadra Industries

Tungabhadra Industries has reported encouraging performance for the year ended September 30, 1977 with its turnover increasing by 43 per cent to a high of Rs 31.98 crores from Rs 22.44 crores in the previous year. Its gross profit has increased by nearly 25 per cent to Rs 77.83 lakhs from Rs 62.36 lakhs. The directors have proposed a dividend of 12 per cent on the capital increased by the three-for-five bonus issue. This will mean a distribution of 19.2 per cent in terms of the old capital against 15 per cent paid for 1975-76. Its production of refined oil and vanaspati increased to 27,538 tonnes from 23,497 tonnes in the previous year. The production of soaps was, however, slightly lower at 9,175 tonnes against 2,503 tonnes. The company's joint venture oil mill in Phillppines commenced commercial production in July 1977. The solvent extraction unit of the joint venture was commissioned during November 1977, and the first cargo for export of 1,500 tonnes of crude coconut oil and 1,000 tonnes of pellets was loaded during the year. The company's net profit for 1976-77 amounts to Rs 20.77 lakhs against Rs 27.65 lakhs, after providing Rs 9.03 lakhs (Rs 25.25 lakhs) for taxation and Rs 1.57 lakhs (Rs 1.20 lakhs) for investment allowance and Rs 13.16 lakhs (nil) for gratuity. The proposed dividend will claim Rs 9.99 lakhs (Rs 8.01 lakhs).

Indian Overseas Bank

The year 1977 has been a year of marked growth for Indian Overseas Bank. Provisional results revealed that deposits and other accounts in India and abroad rose by over 39 per cent—an increase of Rs 184 crores compared to Rs 140.8 crores in 1976. Aggregate deposits in India (excluding interbank & other liabilities) registered an all-time increase of Rs 154 crores during 1977 exceeding the corporate goal of Rs 150 crores. The growth rate at 38 per cent, same as in 1976, is well above the banking system's 21 per cent—possibly the highest for any nationalised bank. During 1975 and 1976 also, IOB led other nationalised banks in deposits growth rate. Lendings in India and abroad were up by Rs 94 crores and stood at Rs 422 crores as of end 1977.

Gross profit of the bank for 1977 is better than 1976 by about 10 per cent which is a good achievement considering the fact that the bank had lowered its lending rates in India covering various priority categories and on term loans to industries and that cost of deposits had gone up on account of change in the pattern of the deposit-mix. In India, 1977 was dedicated to the rural population and the weaker sections. A concentrated effort was made to uplift the small and marginal farmers, landless labourers, small-scale industries, rural artisans and craftsmen.

The bank's branches in the southern states have helped the cyclone-affected in rehabilitation by extending timely financial assistance under the bank's various schemes for self-employment, retail trade, consumption credit, agriculture etc. A record number of 86 branches and 11 extension counters were opened in India surpassing the previous year's 75 branches and 7 extension counters. 80 per cent of the new branches were located in rural and semi-rural centres. To this bank goes the distinction of setting up the first ever office of an Indian bank in the Republic of Korea. A branch was opened at Seoul, the capital city, on September 19, 1977. With two more branches established in Hong Kong, IOB has raised its tally of overseas branches to ten in the south east Asian region—Hong Kong (7), South Korea (1), Singapore (1), and Sri Lanka (1).

S.S. Duncan

S.S. Ducan Ltd has recorded a gross profit of Rs 86.43 lakhs during the year ended December 1977. After providing Rs 8.43 lakhs for depreciation and Rs 48.23 lakhs for taxation, Rs 4.22 lakhs for investment allowance reserve and making adjustments, the directors have proposed a final equity dividend of nine cent which will absorb Rs lakhs. The interim divi for 1977 has absorbed Rs lakhs. A sum of Rs 11.20 l has been transferred to general reserve.

Kunal Engineering

Kunal Engineering Comp Limited, promoted by house of Kothari of Mad is presently engaged in manufacture of high-qua spindles for the textile indu It has made a gross pr before depreciation and tax over 100 per cent on its equ for the past three years. company has paid dividend the past six years at an aver of over 15 per cent. In parti lar, for the year ended Ma 31, 1977, a dividend of 20 cent has been declared on equity enlarged by a bonus is of one for every three sha held. The company is presen expanding as well as diversi ing its activities with a vi both to enlarge its base and provide better return to shareholders.

The proposal envisages t setting up of facilities for t manufacture of 500,000 hi speed roller bearing inserts, addition to expanding t licensed spindle manufacturi capacity from the present lev of 216,000 to 500,000 spindle The insert-spindle combinatio is one of the basic componen required for the textile indu try, one of the oldest and wel established industries in Indi having a good growth potentia The insert manufacturing un will have the benefit of th 'know-how' from M/s Spindle Motoren-Und Maschinenfabri AG of Switzerland. They wil provide the technical 'know how', detailed engineering, pe formance guarantee of equip ment and production, in-plan training, and also guarante tain offtake for export rket.

The cost of the project is 3.07 crores, made up of d and buildings (Rs 25.25 hs), plant and machinery s 220.25 lakhs), other fixed ets, margin money for work- ; capital pre-operative ex- nses, etc Rs 61.50 lakhs. is is to be financed through uity share capital Rs 60 hs (rights issue Rs 30 khs and public issue Rs 30 khs), internal cash generation Rs 32.15 lakhs, term loan om financial institutions 184.85 lakhs and unsecured posits and bank borrowing ; 30.00 lakhs.

nited Carbon

United Carbon India Ltd s suffered a setback in its rking for the year 1977. hile sales have gone down Rs 1.40 crores to nine crore pees, the gross profit has clined to Rs 84.82 lakhs. ne directors propose to main- in the equity dividend of 12 r cent. The unsatisfactory sults are attributed in the ain to the substantial rise in e prices of feedstocks. In ew of the company's decision hold the price line, there s been a squeeze on the argins. The limitations on e use of power for this con- uous process industry has sulted in the company not ing able to utilise its pro- uction facility fully. The net ofit is placed at Rs 22.28 khs against Rs 68.49 lakhs in 976 after providing Rs 43.99 khs for depreciation (Rs 5.54 lakhs), Rs 6.05 lakhs for vestment allowance reserve Rs 3 lakhs) and Rs 12.50 khs for taxation (Rs 76 lakhs). fter taking credit for Rs 30 khs being development rebate serve falling free, and pro- ding Rs 1.52 lakhs being ort provision for taxation, and writing back Rs 32,314, the surplus comes to Rs 51.08 lakhs (Rs 68.47 lakhs). After providing Rs 33.56 lakhs for the proposed dividend (Rs 33.56 lakhs), and transferring Rs 1.30 lakhs to general reserve (Rs 34.91 lakhs), a sum of Rs 16.23 lakhs is carried forward.

Automobile Products of India

The chairman of Automobile Products of India Ltd, Mr M.A. Chidambaram, has expressed the hope that the company's operations for the rest of the year ending July 31, 1978 will be better as a sequel to the three-year agreement entered into with the union. Last year, the company incurred a loss of about Rs 1.20 crores mainly due to labour problems at the company's plant at Aurangabad. The go-slow has since been withdrawn. Mr Chidambaram told newsmen recently that the turnover for the first half of 1977-78 was lower around Rs 8 crores compared with Rs 10 crores in the corresponding period of last year. He feels that with the profit likely to be earned in the second half, the loss sustained in the first half of the year would be wiped out. In the event of an overall profit for the year, the company might seek the government's permission to pay a modest dividend for 1977-78, although there is a substantial debit balance brought in. The accumulated deficit is around Rs 2.24 crores and according to him, this would be wiped out by 1980. He stated that the scooter market was picking up and the company wanted to step up the production of three-wheelers, the demand for which was growing. In a bid to improve the performance of the company, it was proposed in collaboration with Automotive Products Co, UK, to manufacture new types of clutches and brakes at Aurangabad.

Madras Rubber

The expansion scheme of Madras Rubber Factory to double the capacity of its Goa plant to 800,000 sets of tyres and tubes is making good progress. The company has also received an industrial licence for rubberising tank tyres and bogie wheels for defence services with an annual capacity of 15,000 numbers. The company's performance during the year ended September 30, 1977, however, was adversely affected by labour troubles, higher working expenses and lower average selling prices. Hence, although the total sales turnover increased to Rs 62.53 crores from Rs 46.85 crores in 1975-76 the gross profit declined to Rs 204.22 lakhs from Rs 268.89 lakhs. Despite a smaller provision of Rs 88 lakhs (Rs 131.12 lakhs) for depreciation, the year's working resulted in a loss of Rs 182.52 lakhs, against Rs 84.31 lakhs, chiefly due to the sharp rise in interest charges to Rs 298.74 lakhs against Rs 222.08 lakhs. After taking credit for Rs 57.97 lakhs representing excess provision for taxation, the debit balance has been reduced to Rs 124.56 lakhs, and this has been further adjusted against reserves.

Capital and Bonus Issues

Consent has been granted to seven companies to raise capital of Rs 3.32 crores. The details are as follows:

Bajaj Tempo Limited, Pune, has been accorded consent, valid for six months, to capitalise Rs 15,921,260 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 1:1.

Tractors India Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 4,980,120 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 1:2.

Sesa Goa Private Limited, Goa, has been accorded consent, valid for six months, to capitalise Rs 70 lakhs out of its general reserve and issue fully paid equity shares of Rs 500 each as bonus shares in the ratio of 2:3.

Bhaskar Tea Company Pvt Limited, Calcutta, has been accorded consent, valid for six months, to capitalise Rs 20 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 1:1.

J.J. Exporters Limited, has been accorded consent, valid for six months, to capitalise Rs 4 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio 2:5.

Coffee Lands Limited, Sakalaspur, (Karnataka), has been accorded consent, valid for six months, to capitalise Rs 24 lakhs out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 1:2.

The Coonoor Tea Estates Co Limited, Coonoor, has been accorded consent, valid for six months, to capitalise Rs 566,730 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 1:1.

The Narbada Valley Chemical Industries Pvt Ltd, has been refused permission to issue bonus shares of Rs 416,600.

The Shakar Agro Industries Limited, Calcutta, has been refused permission to issue bonus shares worth Rs 3,640,000.

The economy in 1977-78 : a pre-budget survey

The pre-budget Economic Survey presented to parliament by the Finance minister, Mr H.M. Patel, expresses satisfication over the performance of Indian economy in 1977-78. Given below are some of the highlights.

THE SURVEY states that the rate of growth of Gross National Product is expected to be substantially higher than the growth rate in 1976-77. Agricultural performance will show considerable improvement over last year's performance, particularly with regard to the output of foodgrains.

Inflationary pressures have been held under check and the price level is normally higher than what it was at the beginning of this fiscal year.

Greater success has been achieved in restricting the growth of money supply and credit policy has checked speculative hoarding of essential commodities without in anyway affecting adversely the genuine credit needs of productive sectors of the economy. Supply management has also improved appreciably.

Increase in Exports

Exports continue to grow despite adverse conditions in world markets and the level of our foreign exchange reserves is currently equal to nine months' imports.

The survey sums up by stating that overall the current state of the economy is such that a substantial step-up in investment for growth can be safely undertaken.

The survey, however, cautions that certain features of this performance are such that we should not be lulled into a sense of complacency. The growth of industrial production is likely to be five to six per cent in the current year as compared to over 10 per cent in 1976-77. The rate of growth of production has slackened in certain important sectors and major industries such as cotton textiles, continue to experience difficulties.

Investment Climate

Power shortages have reappeared. Also the pick-up in industrial investment does not seem to be as high as was hoped for. Even though current agricultural performance has been satisfactory, the wide fluctuations from year to year and the sluggishness in the growth of output of essential commodities like pulses and oilseeds is a matter for concern. While the strength of the balance of payments is most welcome after the acute difficulties experienced in the earlier years it is leading to the paradoxical situation of a poor country lending a part of its resources abroad in the shape of foreign exchange reserves instead of using them at home. Similarly, while monetary policy has been undoubtedly successful, the liquidity in the system is such that the potential for inflationary pressures is sizeable. Finally, the level of poverty and unemployment prevailing in the country continue to be substantial. Therefore, the survey stresses the urgent need for removing these soft spots in the economy and for achieving continued good performance in terms of stability and growth.

According to the survey the rate of growth of Gross National Product (GNP) is estimated to be five per cent in 1977-78 as compared to only 1.6 per cent in 1976-77. The increase in GNP in the current year is chiefly attributable to the good performance of agriculture in the kharif season and the likely performance in the current rabi season. The production of kharif foodgrains may reach the level of 71-73 million tonnes as against 66.6 million tonnes in 1976-77. The weather conditions and sowings in the rabi season have been so favourable that the survey anticipates an equally good rabi harvest. Total foodgrain production is, therefore, expected to be around 121 million tonnes, an increase of 10 million tonnes over last year's output.

Better Crops

Commercial crop production also is expected to be much better than in 1976-77. The output of cotton and oilseeds will be higher than last year and the output of sugarcane in terms of gur is expected to exceed last year's record output. Only in the case of jute and mesta, will the output in the current year be marginally lower than the output last year. The survey, however, draws attention to the long run tendency of the output of
ses and oilseeds not keep
pace with the increase
demand for these essen
commodities and the need
take urgent measures to incre
their production. Raw cot
is another commodity the o
put of which also needs to
raised.

Agricultural Performance

The improved agricultu
performance is to a large p
due to the increased use
inputs such as water, fert
zers, pesticides and high-yie
ing variety seeds. Irrigati
potential—major, medium a
minor—added during the ye
1977-78 will amount to 2.
million hectares, the high
in a single year. The amount
fertilizer used is expected to
up to 4.2 million tonnes,
increase of 26 per cent ov
the previous year. An additi
nal two million hectares h
been covered with high-yiel
ing variety seeds. An adequa
procurement and price suppo
policy also has been pursu
with regard to a larger nu
ber of commodities. The su
vey, however, stresses th
there is urgent need to elim
nate fluctuations and contin
to maintain a high long ru
rate of growth in agriculture.

This will require more inte
sive implementation of th
current programme of increa
ing the supply and utilisatio
of inputs, the spread of bett
cultural practices throu
more comprehensive extensio
programmes and an integrate
support policy and greater r

search, particularly with regard to crops other than cereals.

The survey expresses concern over the relatively lower growth in industrial production in 1977-78. According to current indications, the industrial production growth rate in the current year will be five to six per cent as compared to an increase of 10.4 per cent recorded in 1976-77. This was due to slackening growth in important sectors like electricity, transport equipment, iron and steel, coal, cement and cotton textiles.

Adverse Factors

According to the survey the factors responsible for such an out-turn seem to be: (a) power shortages; (b) lack of capacity for expansion; (c) labour unrest in certain areas; and (d) lack of demand for certain industries. The survey stresses that the remedy for industrial revival lies in an increase in public investment which will remove some of the present bottlenecks and lead to a revival of demand particularly for other capital goods industry, an increase in agricultural incomes and greater industrial peace. The survey also stresses the role of exports in sustaining industrial production and emphasises the need for greater export promotion and greater production.

The survey refers to the problem of sickness among industrial units and refers to the larger financial assistance made available by term lending institutions. Assistance sanctioned amounted to Rs 132 crores between February 1977 and January 1978. Guidelines have also been established for mergers between sick and viable units so that a working unit comes into existence from the union. The survey also refers to increasing industrial labour unrest and stresses the need for cooperation amongst all concerned for the establishment of industrial peace.

Reviewing the price situation in the economy, the survey notes with satisfaction that it has been possible to achieve relative price stability during the year. The year began with considerable inflationary potential due to the imbalance between aggregate monetary demand as indicated by an expansion of 20 per cent in money supply in 1976-77 and aggregate supply indicated by the meagre increase in Gross National Product. Government was able to achieve a better balance between the two particularly by better supply management of sensitive commodities through liberal imports of items like vegetable oils, raw cotton and artificial fibres, better public distribution and a restriction on the exports of certain others. At the same time a restrictive money and credit policy was pursued in order to check the growth of money supply.

Domestic Production

The survey, however, highlights the importance of increased domestic production as a long term solution to the problem of rising prices particularly in the case of items like pulses and edible oils. It also emphasises the need for an adequate support policy to encourage production and a well organised system of public distribution and consumer protection for ensuring greater price stability.

The survey notes that the increase in money supply during the current year so far has been only 8.7 per cent as compared to the 12.4 per cent increase in the corresponding period of the fiscal year 1976-77. All the three factors, namely, net foreign exchange assets to the

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Where for compelling reasons, you are unable to pay the tax demanded, you may apply for extension of time or for instalments for making the payments. If you write to the assessing officer in this behalf within the time initially allowed for payment, he is empowered to grant the same on payment of interest and on such conditions as he may deem fit.

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- **Is a service to the Nation**

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Income-tax Department
New Delhi

davp 77/459

banking sector, net bank credit to government and bank credit to the commercial sector have contributed in roughly equal proportions to the monetary expansion during the current year. However, the increases in bank credit to government have been particularly sharp in the current year. On the other hand the increase in scheduled bank credit was only 56 per cent of the credit expansion during the corresponding period last year. This was partly due to the small increase in credit for food procurement and the strict control exercised by the Reserve Bank regarding lending against sensitive commodities. The Reserve Bank also restricted the lendable resources of banks by impounding a larger proportion of their resources and by making refinancing facilities discretionary.

Bank Deposits

On the other hand, the rate of growth of deposits with the banking system was lower at 19.4 per cent in the current financial year as compared to 21.2 per cent last year. In particular the growth of time deposits which normally act as a contractionary influence on money supply grew only by 18.5 per cent in the first ten months of the current year as against 25.9 per cent in the same period in 1976-77. This is somewhat disquieting as time deposits are an important source of saving.

The survey refers to the greater success of the restrictive monetary policy pursued by the Reserve Bank this year and stresses the continued need for vigilance with regard to monetary and credit expansion because of the excess liquidity in the system.

Banks were advised to enlarge the flow of credit to neglected sectors such as agriculture, small industries, road transport etc. Also to extend credit facilities to small borrowers banks have been advised to achieve a credit deposit ratio of at least 63 per cent in their rural and semi-urban branches.

Financial Burden

The survey notes that the substantial budgetary deficits of the state governments increase the financial burdens on the state governments and affected adversely its ability to restrict the budget deficit to a small figure of Rs 84 crores. Certain favourable factors, such as the larger market borrowings, the impovement in the financial position of the railways are however mitigating factors.

The Plan outlay in 1977-78 was oriented in favour of the rural sector in accordance with the objectives of the new government. Outlays on agriculture and allied services were stepped up by 41 per cent, on irrigation and flood control by 50 per cent, on power development by 30 per cent and on village and small-scale industries by 52 per cent.

Development expenditure formed 54.5 per cent of the total outlay in the central budget for 1977-78 but the budgetary deficit was kept at a low figure of Rs 84 crores as against Rs 425 crores in 1976-77 (Revised Estimates) with a view to minimising the expansionary impact of the budget. Tax revenues including additional taxation financed 44.1 per cent of the remaining outlay. Domestic capital resources accounted for 29.1 per cent of the total outlay. It is significant that external assistance accounted for only 7.7 per cent of the total outlay. It has been nearly halved from 13.4 per cent of total outlay in 1975-76 to 7.7 per cent in 1977-78.

While the central government has made adequate effort at resource mobilisation, state governments' efforts in that direction have been generally disappointing. The centre was compelled to assist them with ways and means advances and advance plan assistance.

The survey notes that the balance of payments continues to be strong in the current year. In the first eight months of 1977-78 the economy has achieved a trade surplus of Rs 72 crores. Exports increased at the rate of nine per cent in this period as compared to 31 per cent in the same period in 1976-77. Foreign exchange reserves, however, have continued to grow because of this and continuing inward remittances and are currently a little less than Rs 4,000 crores.

Good Exports

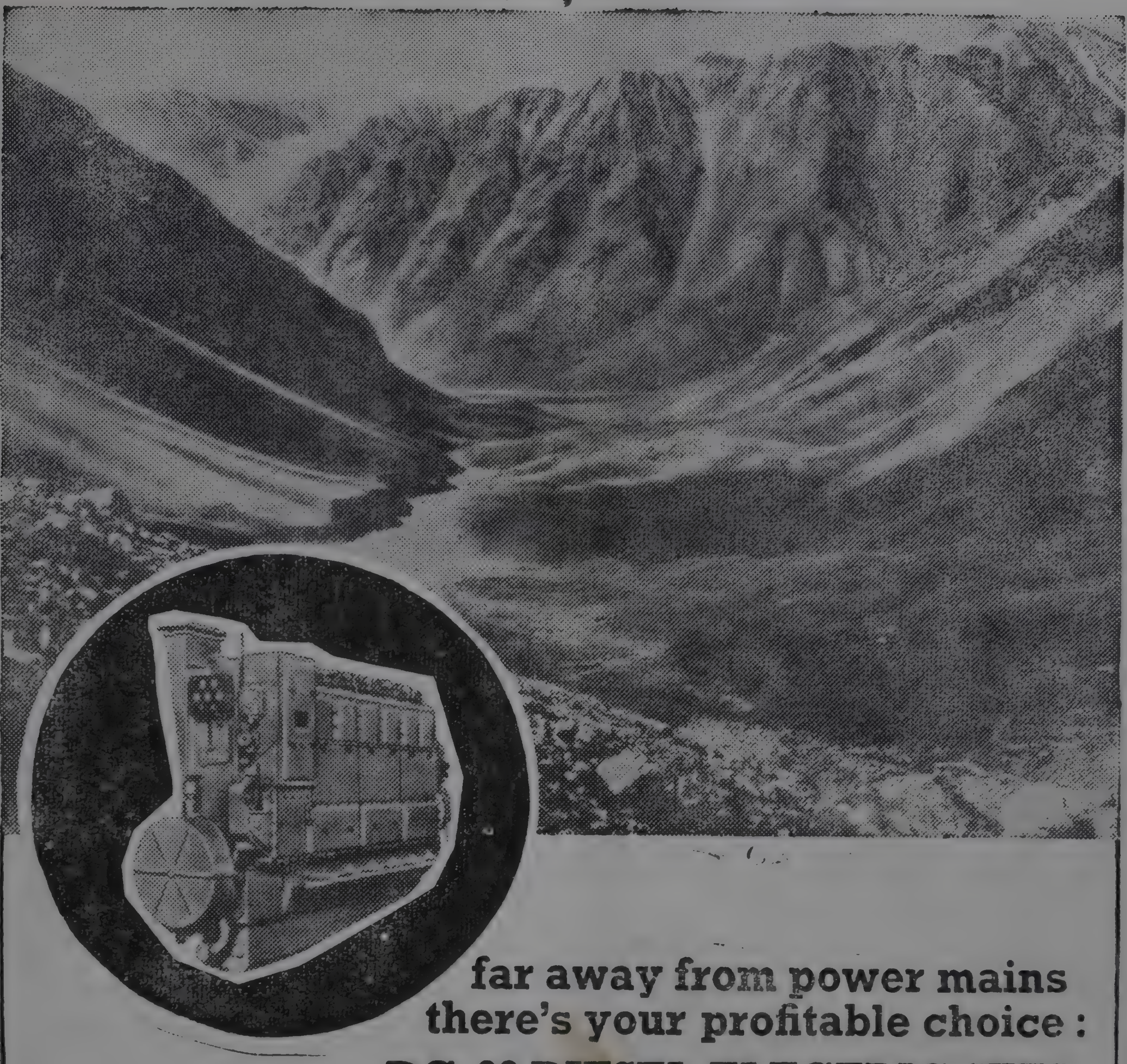
In 1976-77, the growth of exports was as high as 27 per cent and of this, 18 per cent was on account of a growth in volume of exports. The items of exports which showed marked buoyancy were engineering goods, cotton textiles including garments, leather and leather goods, iron and steel, handicrafts, coffee and tea. In the current year however, export growth of most of these items has been depressed because of the slow growth of the world economy, the restrictions imposed by developed countries on some of our exports and the slackening demand from areas like the middle east. The survey stresses the need to continue our export promotion efforts in the long run intrests of the economy.

The survey states that the improvement in the bala of payments enabled us liberalise imports on a su tantial scale. The legitim requirements of industry raw materials and compone for increased production w liberally allowed.

Foreign Exchange Reserves

The survey expresses conce over the increasing volume foreign exchange reserves a stresses that these should drawn down to finance intern economic development. At t same time it makes the po that we should not be so mu concerned with these accumu tions that we are prepared fritter them away. A count like ours which experienc large fluctuations in the impo bill needs a volume of reserv much larger than what we ha been used to the past.

In conclusion, the surv finds that the economy exceptionally well placed f achieving further growt What is needed is an increa in public investment whic will remove bottlenecks, act vate other sectors and lead a larger utilisation of foreig exchange reserves. The exi tence of food stocks of abou 17 million tonnes and foreig exchange reserves gives the ec nomy a considerable degree manoeuvrability and freedo to plan a growth strategy co centrating on employment an the removal of poverty. Th survey stresses that urgent a tention needs to be paid investment planning and strengthening the organisatio for implementing projects an programmes. What is equall important, the survey say people have to be involved planning and implementatio so that the growth proce draws upon the energies all and benefits all.



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INT/112/89/77

Printed and Published by R. P. Agarwala on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block Connaught Circus, New Delhi.
Editor : V. Balasubramanian
Registered at the GPO, London, as a newspaper

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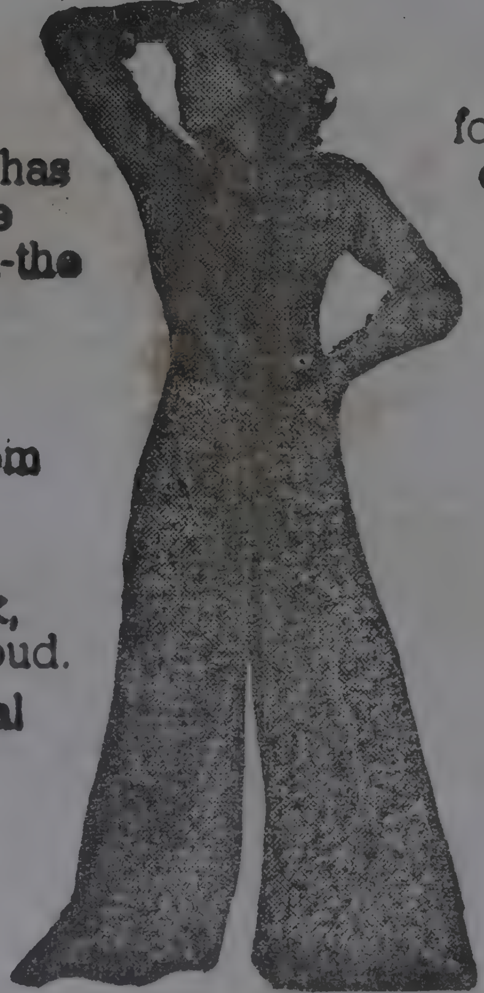

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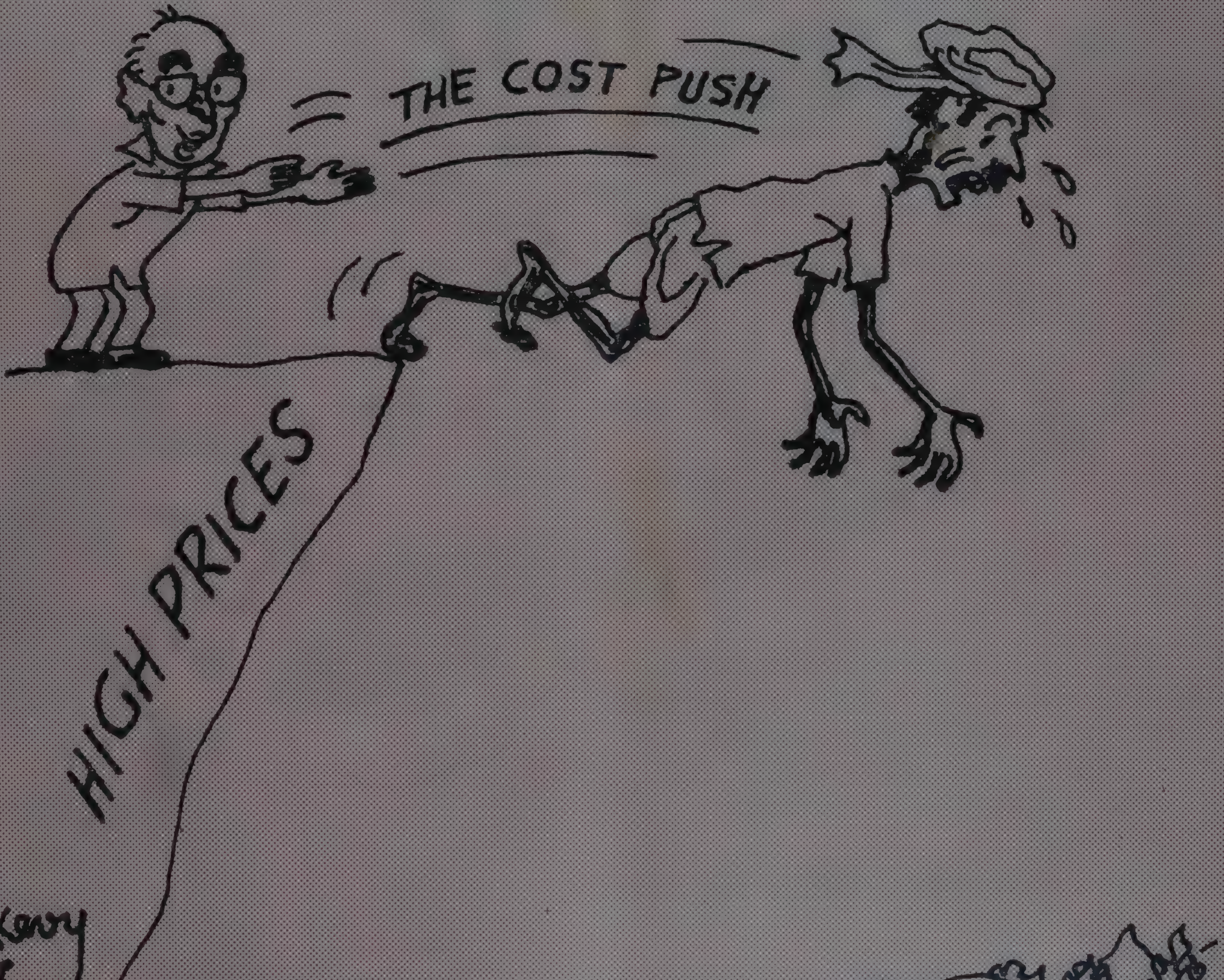
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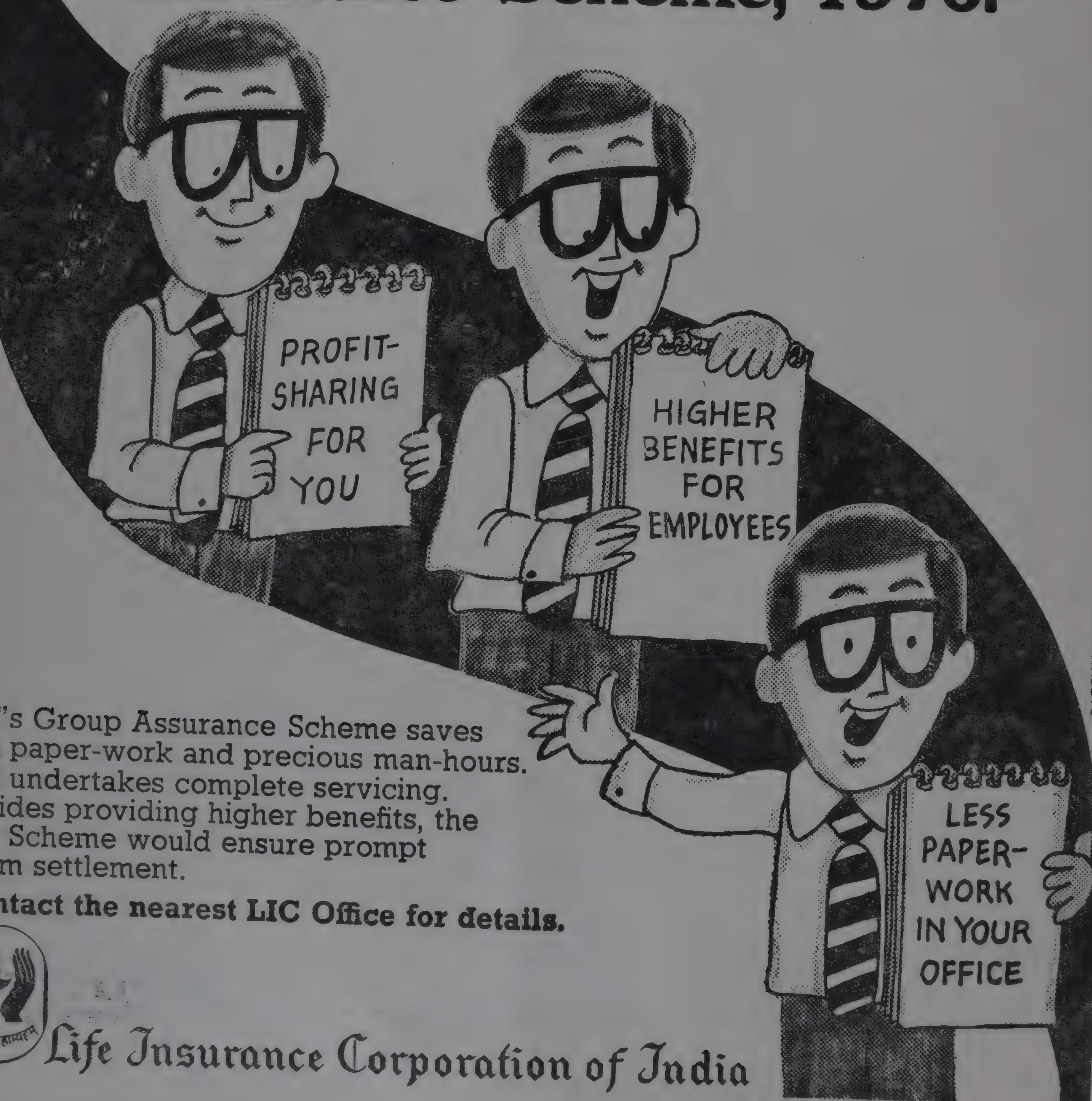
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Lesson for Janata

It is good to see that even the Janata party has not become hysterical over the assembly election results. There is in fact no reason for anyone to tear his hair or beat his breast. The country certainly needs a few more non-Janata ministries in the states. This it has now got with the Indira Gandhi Congress securing control of the legislatures in Karnataka and Andhra Pradesh. In both cases its majority is comfortably large to the point of affluence. This pins the responsibility squarely on it to provide stable government to the electorates which had placed its faith in it to such a great extent. This it cannot do if it indulges in confrontation politics with the central government or even the Janata party. Since the aim of the Indira Gandhi Congress must naturally be to build on what it has now gained, it stands to reason that its ministries in Karnataka and Andhra Pradesh will have to function in such a way that they help to take the party into the main-stream of national politics.

There is, moreover, the very relevant fact that both Mr Devraj Urs and Dr Chenna Reddy (the chief ministers of the governments in Karnataka and Andhra Pradesh respectively) are skilful and ambitious state politicians who must have a natural interest in further building up their power bases. Singly or in combination they could certainly help to provide a regulatory mechanism for the party for dealing with any excesses of personal ascendancy that Mrs Gandhi might be tempted to commit. In particular, the reemergence of the emergency caucus seems unlikely. Even Mrs Gandhi, after all, must have learnt a lesson or two. Having averted the threatened acquisition by the Janata party of a near-monopoly of political power in the country, Mrs Gandhi should and probably would not address herself to the task of developing her party into the main national opposition.

In Maharashtra, unfortunately, there is a distinclty unstable post-election situation. In a House of 288, the Janata party, winning 100 seats, has emerged as the largest single party. Normally this should entitle it to try to form a government with the help of adherents or allies from among other groups in the legislature. The position was however complicated by the fact that the other Congress party, which had secured 69 seats and the Indira Congress with its 62 seats, have come together in an alliance of convenience and has put forward a claim to form a stable coalition ministry with the cooperation of the Peasants and Workers Party and some Independents. Indeed, the presence of as many as 34 Independents in the newly elected Maharashtra legislature provided an element of fluidity to the ministry-making. The Congress alliance has ultimately been invited to form a ministry and has done so.

While the Janata party's anxiety to take the strategically important Maharashtra state government into its keeping was quite natural, a Janata ministry, even if one had managed to assume office, could not have provided a stable administration to the people of the state. A Congress coalition on the other hand has a fair chance of doing so provided the Janata party in the legislature reconciles itself to playing its appropriate role as a strong opposition and plays it in a constructive manner. India cannot afford instability in Maharashtra state politics, if only because of the great economic importance to it of the industry and commerce of that region.

In Assam, although the Janata party has secured only 53 seats out of a total of 126, its position is relatively much stronger than in Maharashtra since the Congress has secured only 26 seats and the Indira Gandhi Congress eight. A good many from among the 23 Independents could be expected to support whichever party may form the ministry, but a Janata party government in Assam will still have to secure the regular cooperation of CPI(M) which has won 11 seats, if it is to provide a stable administration. The understanding which the Janata party may work out with the CPI(M) in Assam should be interesting for its implications for national politics. The Janata party has secured a majority in Arunachal Pradesh.

The rout of the Reddy-Chavan Congress, which is coming to be known post-election as the Swaran Singh Congress, is being mourned in some quarters as a loss to national politics.

It is difficult to sympathise with this sense of bereavement. The party has been steadily losing in credibility because of its lack-lustre leadership, which, obviously, can play only second fiddle to some stronger and more self-reliant political instrument. The next few months should see the assimilation of various parts of this group by the more dynamic or better placed political parties in the country. Such a development will naturally have an interesting impact on the party composition of the two Houses of Parliament. Meanwhile the election results have not been altogether unkindly to this party, although it has been wiped out in Karnataka and ground into the dust in Andhra Pradesh. In Maharashtra it has obtained breathing space. In Assam it has managed to maintain some kind of a presence. In Meghalaya, it has the largest individual share of seats by winning 20 out of 60, i.e., four more than the All Party Hill Leaders Conference (APHLC) or six more than the Hill States Peoples' Democratic Party (HSPDP) and it will thus be the main opposition.

nuisance value

In Assam the CPI(M) has secured 11 seats and the CPI five. Thus the communists separately or together, do not yet pose a considerable problem in this sensitive part of eastern India, but neither their present nuisance value nor their growth potential, particularly the CPI(M)'s, should be underestimated. A Janata government will have a job to do in that state.

There is sympathy for the Janata party from the most unexpected quarters. There is widespread regret that it has missed the opportunity of pushing itself into peninsular India. But, then, the Janata has fought neither a sensible campaign nor a clean one. It never knew to the last which Congress it had to fight. By drafting defecting Congressmen, it weakened, in the main, the Reddy Congress, without correspondingly strengthening itself. In the process the net gainer was the Indira Gandhi Congress.

Opportunism in this electioneering however has been the least of the Janata Party's sins. It has miserably failed all these months to make on the national consciousness the kind of impact which it was expected to make when it was swept into office at the centre last March. It has been dithering with problems of political as well as economic stability and has been alienating large sections of the people, without succeeding in effectively punishing its political enemies or the enemies of the people. To make matters worse the Janata ministries in northern states have been so ineffective or downright feckless that their functioning
surely no recommendation for the el
rates in the recent Assembly electio
the sough to administer to themsel
dose of the same medicine. Above
Mrs Gandhi and her men in Karna
and Andhra Pradesh demonstrated
impressive ability to pull votes which
Janata party did not even seem to sus
were there. There is indeed a great
for the Janata party to learn. Thi
fact, is the most important lesson of
round of assembly elections

Good but still not good enoug

THE PUBLIC sector undertakings in the administrative control of the central government which numbered 145 in 1976-77 and claimed an investment of more than Rs 11,000 crores, have not measured up to the expectations of either the people or the government in their performance. These enterprises were established during the past three decades not merely to extend the area of the public sector in our economy but also to throw up sizeable surpluses for hastening the economic development of the country. Unfortunately, the working results of these enterprises over the years were not at all heartening leading to accumulation of huge losses. It was in this context that the Economic Survey for 1977-78 released recently by the ministry of Finance called for more efficient working of these enterprises since "the surpluses of public enterprises are not showing the required kind of lift". It rightly suggested the institution of "more professional management, better labour relations and in some cases a better pricing policy" in the public sector undertakings.

However, it needs to be conceded that in recent years there has been some improvement in the overall working of these enterprises taken as a whole. For instance during the quinquennium ending in 1976-77, these enterprises exhibited a slow but steady rise in their profitability.

According to the latest survey made by the Bureau of Public Enterprises (BPE) the net profit of all the 135 operating enterprises in 1976-77 after providing
depreciation, interest charges and ta
tion, was Rs 240 crores as aga
Rs 129 crores in 1975-76, Rs 184 cr
in 1974-75, Rs 64 crores in 1973-74
Rs 18 crores only in 1972-73. Be
1972-73, these undertakings taken t
ther were almost perpetually in the
That the era of mounting annual lo
is way behind this sector is indee
welcome development. What is a
encouraging is that the profits of the p
five years have been instrumental
neutralising a major part of the lo
accumulated over more than
decades.

The rather meagre rate of return
capital employed in public enterprises
a group conceals the fact that there
certain undertakings which resort
profiteering, and that their excess
profits help to cover up the inefficienc
in others. The petroleum industry,
example, is the biggest profit-spinn
The gross profit of this industry in 1976
at Rs 208.93 crores was 26.1 per c
of the capital employed at Rs 800
crores. The steel industry, on the ot
hand, recorded a profit of Rs 118
crores only with as much capital
Rs 2005.72 crores, yielding the pal
rate of return at 5.9 per cent. While i
in the national interest to make effect
use of the capital employed, it is har
fair to fleece the consumer throu
unfair pricing of products, especia
in industries where the public sector ha

onopoly. At the same time, it is unwise
incur losses by charging unremunera-
ve prices for such commodities as coal.

For playing their rightful role, public
ctor undertakings as a group will have
make a determined effort in raising
eir profitability to the level prevailing
the organised private sector. In its
test study of 1650 medium and large
ompanies in the private sector, the
eserve Bank of India has estimated the
oss profit as a percentage of sales at
1 per cent in 1975-76 (a bad year) and
.4 per cent in 1974-75. The corres-
onding ratio of the public sector enter-
ises in 1976-77 compared unfavourably
3.2 per cent. It is true that included
the public sector are mostly units of
asic industries (which are capital-inten-
ve) as opposed to the private sector
its which consist of largely the con-
umer industries, yet it is essential for
very sector of industry to propel its
rowth through its own resources as far
possible. In fact, the continued
efficiency of the public sector over a
ng period has been one of the basic
easons for the slow growth of industry
this country.

Indiscriminate building up of inven-
ories has been a wasteful way of locking
p capital with many public sector units
ough lately some improvement in this
egard has been witnessed. In 1967-68,
r instance, the inventories with public
ector units were equivalent to 6.7 months
f production; in 1976-77, they came
own to 3.7 months of production. But some groups of industries are still plagued by unwieldy inventories. Particular attention needs to be paid to heavy engineering, minerals and metals, and transportation and equipment units which in 1976-77 had inventories well above turnover for 11 months. The BPE has reported during the course of its recent surveys appreciable improvement in the overall inventory levels but the particular areas where the disease persists in a chronic way need to be tackled firmly and expeditiously.

A critical analysis of the rise in inventories in 1976-77 makes interesting reading. As on March 31, 1976, the value of inventories of the public sector undertakings, was estimated to be around Rs 3,250 crores which rose by Rs 400 crores to Rs 3,650 crores within a year (i.e. as on March 31, 1976). According to the Finance minister, Mr H.M. Patel, prices in 1976-77 rose by more than 12 per cent. Even if it is assumed that the inventories of the public sector undertakings were marked up by only six per cent due to increases in prices in the year under reference, the rise in gross profit due to this factor alone would work to about Rs 200 crores—nearly half of the total gross profit. Moral: the public sector undertakings have to raise their profitability markedly to prove that the surpluses thrown up are due to their efficient operations and not due to any window-dressing in the balance sheet or appreciation in the prices of huge inventories held by them.

There was marked improvement in capacity utilisation in the manufacturing units in 1976-77 in relation to the previous year supposedly because of the reduced number of industrial disputes consequent upon the promulgation of the emergency in the country. No less than 76 units increased their capacity utilisation to more than 75 per cent in 1976-77; in 1975-76, their number was 69. Only 17 units utilised less than 50 per cent of capacity largely because of the conditions prevailing in the market. The industries which gave a good account of themselves in this regard were steel, coal, transportation equipments, chemicals and consumer goods. How far these public sector units will be able to maintain this level of capacity utilisation in the current year remains to be seen because the industrial relations have mostly tended to deteriorate after the lifting of the emergency:

Thanks to the policy of canalisation pursued relentlessly in the past few years, the public sector undertakings have started playing a big role in earning foreign exchange through exports. In 1976-77, the exports of the public sector were nearly half of the total. The export earnings of the marketing companies were as high as Rs 1,415.89 crores followed by the manufacturing units at Rs 423.45 crores and the service enterprises at Rs 408.72 crores. Understandably, these undertakings will be called upon to shoulder increased responsibilities in the coming years.

Realising that it is of the paramount

State Election Results

	Janata	Congress	Congress (I)	PWP	CPM	CPI	APHLC	HSPDP	PPA	Other Independents	Total seats
Assam	53	26	8	—	11	5	—	—	—	23	126
Karnataka	59	2	150	—	—	3	—	—	—	10	224
Andhra Pradesh	60	30	175	6	8	—	—	—	—	15	294
Maharashtra	100	69	62	13	9	1	—	—	—	34	288
Arunachal Pradesh	17	—	—	—	—	—	—	—	8	5	30
Meghalaya	—	20	—	—	—	—	16	14	—	10	60

PWP—Peasants and Workers Party.
CPM—Communist Party (Marxists).
CPI—Communist Party of India.
APHLC—All Party Hill Leaders Conference.
HSPDP—Hill States People's Democratic Party.
PPA—People's Party of Arunachal Pradesh.

mportance to improve the working of the public sector undertakings, the ministry of Industry is reported to have decided to constitute two separate study groups which will consist of representatives of 10 central trade union federations and officials of the ministry, and which will "look into such questions as securing greater workers' participation in the management of public enterprises, removal of grievances and investigation of complaints." They will also study the problems relating to the sick mills. Thus, while one group will scrutinise the working of all the public sector enterprises, the other group will exclusively examine the sick units so as to put forward suggestions for reviving them, The significance of the decision to set up these groups lies in the desire of the government to win over the cooperation of the workers since, as stated earlier, there has been distinct deterioration in industrial relations during the past one year.

Safety in railway travel

THE DRAWING up of a detailed programme for preventing railway accidents and ensuring safe travel must await the recommendations of the high-powered rail accidents inquiry committee which has been set up recently under the chairmanship of Mr S.M. Sikri, a former chief justice of Supreme Court. But it is encouraging to note that even pending the receipt of this report, the minister for Railways, Prof Madhu Dandavate, has already initiated several steps to contain the problem. The spate of accidents witnessed in various parts of the country about two months ago, many of which apparently were caused by sabotage, could make any government sit up. The Janata government, therefore, has proved no exception. It has done what was expected of it.

The strengthened vigilance of the railway track through the deployment of 11,000 railway protection force men and 14,000 gangmen, which has been entailing a daily expenditure of one lakh rupees during the past couple of months, of course, has yielded quite wholesome results. Not only several cases of suspected sabotage are claimed to have been detected in time and accidents averted but also the overall situation has taken turn for the better. A determined group of saboteurs, surely, cannot be eliminated within a short span of time. But the containment of their activities with firmness, indeed, is something on which the authorities can legitimately be complimented.

Sabotage is a special problem to be dealt with by police measures. The main "accidents" issue relate to collisions, derailments—inadvertment or caused by obstructions or stray cattle—, trains running into road traffic at level crossings, fire in trains etc., caused by human or mechanical failures. The ensuring of safety in railway traffic, therefore, is a multi-dimensional problem and has to be tackled in a variety of ways.

An analysis of the causes leading to train accidents in the last about 17 years suggests that an overwhelming proportion of the accidents in this period rusulted from derailments and trains running into road traffic at level crossings. A significant number of accidents resulted from collisions and a small number from fires in trains. It is gratifiying to note that except for the spurt in the accidents during September-December last, the total number of accidents on the Indian railways has been going down right since 1960-61, when those caused by collisions, derailments, fires and running of trains into road traffic at level crossings aggregated to as many as 2,131, yielding an incidence of 5.5 per million train kilometres and resulting in 28 persons being killed and 246 passengers being injured. By 1965-66, they had gone down to 1,201, the incidence per million train kilometres going down to 2.7. Some of these accidents, however, proved to be major ones. As a consequence, 41 passengers were killed and 458 injured in that year.

The number of accidents due to the above causes went down further graduall to 782 in 1973-74 with the incidence pe million train kilometres going down t 1.8, but increased significantly in th subsequent two years, presumably becaus of the difficult political situation in th country. They numbered 925 in 1974-7 (incidence 2.2 per million train kilo metres) and 964 in 1975-76 (incidence 1.9 per million train kilometres). Thoug the number of persons killed and injure also showed a significant decline up t 1972-73, it went up in the subsequen three years to 79 and 398, 98 and 297 an 37 and 263 persons respectively. I 1976-77, 80 persons were killed and 39 injured in 780 accidents. As a proportio of a million passengers originating, th total casualties have fluctuated betwee 0.24 and 0.05 between 1960-61 and 1972-73 In the last three years, this proportio hasbeen of the order of 0.16, 0.10 an 0.14.

miscellaneous causes

Besides the above accidents, there have been a fairly large number of accidents resulting from such miscellaneous causes as running over cattle or other obstructions without derailing, attempts at train wrecking, etc. Such accidents numbered 1,071 in 1975-76 and 907 in 1976-77. Their incidence per million train kilometers worked out to 2.2 and 1.98 in the two years.

Attempts at sabotage obviously have to be dealt with through intensive patrolling of track and detecting them before the accidents occur. The other categories of accidents can be obviated in other ways, the most important of them being the containing of the element of human error and failure of equipment. The railway administration, indeed, has been directing its efforts towards this end quite judiciously.

Till lately, a two-pronged attack had been directed against human failures and errors. The first prong was the impressing upon the railway staff the dire necessity of preventing accidents and educating the employees through various means, including individual contacts, holding of group meetings, seminars and safety weeks, surprise checks by the higher echelons of staff, etc., and the second was to reduce the dependence on human element through strengthening of technological aids such as track circuiting, panel interlocking, use of flaw detectors for wheels, axels and rails, etc. Automatic train control system has also been introduced on some very busy sections. It is designed to ensure that a train the driver of which has disobeyed the signal, is automatically braked and brought to a safe halt.

Interlocking of signals and points at non-interlocked stations had been provided by the end of March last year at 82 per cent of all block stations. Track circuiting of run-through lines had been completed at 27 per cent of block stations. The signalling system had been modernised and made automatic over almost all the busy sections. Advance signalling arrangements were also made on most of the high-speed sections. To make sabotage difficult, the most important form of which is the removal of fish-plates, welding of rails has been resorted to and nearly 33 per cent of the total track in the country has been covered by this programme, primarily on the trunk routes.

major steps

In his budget speech, Prof Dandavate has taken another major step to reduce accidents caused by the human element. He has announced the sanctioning of categories connected with the running of trains and providing of additional running staff to the extent of 2,700 persons so that the standard norm of 10-hour work for such staff can be adhered to on all trains, passenger or goods.

To bring down the accidents caused by running into road traffic at level crossings, the Railway minister has revealed that all unmanned level crossings as are potential hazards to safety of passengers, shall in future be upgraded to manned level crossings in a phased manner normally at the cost of the railways. Hitherto, this upgrading was generally done at the cost of the road authorities, the central government in the case of the national highways, the state governments in the case of state highways and municipalities and corporations in respect of roads falling within their jurisdiction.

Both these measures should go a long way in reducing railway accidents. But Prof Dandavate's plea for greater funds for the modernisation of railways and renewal of track also is not unwarranted. Besides increasing the capacity as well as efficiency of railways, it will help in further containing accidents.

Tamil Nadu : money problem

THE TAMIL NADU government has to take serious note of the deterioration in its finances in the past few years and the difficulties encountered in implementing Plan schemes due to inadequacy of requisite natural resources. The failure to develop power sources systematically and achieve accord with Karnataka and Kerala in regard to the finalisation of construction work on inter-state projects are proving to be costly and the state is facing the prospect of stagnation of the regional economy in the coming years.

The budget estimates for 1978-79 presented to the legislature by the Finance minister, Mr K. Manoharan recently do not reveal fully the deterioration in finances in the past few years as the result of the camouflaging operations. The cumulative deficit for 1976-79 alone is Rs 141.30 crores even after liberal central assistance and the central Finance ministry agreed to allocate larger Plan resources without making any adjustments in regard to the heavy expenditure incurred in relief operations, in cyclone affected areas.

It may of course be pointed out that the aggregate deficit for three years will be less than half of the above mentioned figure but for the unexpected havoc caused by the cyclone in the closing months of 1977. But the fact cannot be overlooked that the revenue receipts of Tamil Nadu at Rs 680.08 crores for 1978-79 are much less than those of Andhra Pradesh for 1977-78 and the estimates for 1978-79 of the latter may well be in excess of Rs 800 crores. Not long ago revenue receipts of Andhra Pradesh were much less than that of Tamil Nadu.

It has of course been bemoaned that the introduction of total prohibition has caused the state exchequer Rs 140 crores in a year and the cumulative loss of revenue from this source has been mainly responsible for the absence of buoyancy in tax receipts and the difficult financial position. It has not however been explained what is the net loss of revenue, on account of this scrapping of excise levies on liquor, toddy and other items. It has been contended that there should have been larger increase in sales tax revenue due to increased consumption of tax products. The state government made representation to the centre for adequate compensation for the loss of revenue due to prohibition and a better deal in regard to the devolution of revenues when the Seventh Finance Commission makes its recommendation.

As the centre is thinking of introducing prohibition in the whole country in a phased manner and similar claims have been advanced by other states, it remains to be seen what will be the extent of additional devolution of revenues from the centre, for implementing a bolder sixth Plan. The state government has, nevertheless, serious problems and is perhaps among the few states in the country to be faced with the prospect of diminishing returns with fresh doses of investment in the absence of effective pooling of regional resources and the adoption of a new strategy for improving productivity of agriculture and developing industries, which will not consume, large blocks of power.

While this aspect of the question will be taken up later, the cumulative deficit of Rs 141.30 crores in 1976-79 has been adjusted by utilising resources held in public accounts for Rs 101.96 crores leaving a deficit of Rs 39.34 crores. This has been reduced to Rs 34.05 crores as there was an opening credit balance of Rs 5.29 crores in 1976-77. This exercise is unhealthy and cannot be repeated. This deficit has further been reduced to Rs 24.5 crores with proposals for levying additional taxation yielding Rs 9.55 crores. The new budget proposals are regressive in character as sales tax rates have been raised on a number of items while the road transport operators have been penalised again with an increase in motor vehicle tax on stage contract carriers. The duty on petroleum products has also been raised by 2 ps. per litre. The adjustments in the rates of agricultural income tax may of course be justified as the plantation industries are faring well and the richer farmers also have benefited by higher productivity and subsidised inputs.

pooled tariff rates

The financial position of the state government can, however, be fundamentally improved only if a dynamic policy is adopted in regard to the development of the agricultural sector and promotion of new industries. The state electricity board is functioning in a highly inefficient manner and because of the heavy loss in the supply of energy for agricultural purposes and the poor operating efficiency of thermal stations the annual deficit is in excess of Rs 40 crores. The rate charged for domestic and industrial consumption of electricity is already high and with increasing thermal content in total power generation the average cost is bound to rise over a period. Some parts of the increasing costs can be offset by a higher operating ratio of the thermal stations. There is however no escape from charging higher rate for agricultural purposes while the promotion of new power intensive industries may have to be discouraged until such time. It is possible to achieve pooled tariff rates for the whole southern region.

The power situation has happily improved with satisfactory rainfall in the catchment areas and hydel reservoirs and ample supply from Kerala. The prospect of commissioning the first unit of 210 MW in the Tuticorin thermal station by the end of this year will also ensure adequate power supply in the absence of serious monsoon failures in 1979-80. The completion of remaining two units in this centre also will be helpful. However, the cost of total generation will increase significantly, especially if supplies from Kerala are diverted to Karnataka with construction of direct transmission line from Idduki to the latter state.

The Tamil Nadu government has, therefore, to modernise agriculture on more ambitious lines. While good work is being done in the Periyar Ayacut area the modernisation of Cauvery Delta is not proceeding on the desired lines. With the completion of remaining medium and small irrigation projects, the surplus water resources would have been nearly fully harnessed. As the limitations in regard to the exploitation of underground water resources also have been felt, it has been considered desirable to promote groundwater tapping on a pooled basis and encourage also cooperative farming. Greater reliance is being placed on the construction of minor irrigation projects and improvement of the storage and major tanks. All these measures will lead to intelligent water management, but there will have to be an augmentation of water resources with the diversion of west flowing rivers, and so help also from Andhra Pradesh. The p sibilities in this regard will have to more actively explored than is being n done.

It is also important that the inter-st hydel projects should be speedily execu with the concurrence of Kerala as some p jects in the Nilgiri area are held up due the lack of a proper accord. There is a no excuse for not taking up work on t Hogenekal project on the Cauvery as o 1500 million units are being wasted ann ally just because agreement cannot reached on the siting of the project. Af the experience of the floods in Cauvery 1977 the importance of Hogenekal proj as a flood moderator also should be real ed. While there should be a strengtheni of agricultural and power sectors, it is f more important that there should be intelligent policy for industrial develo ment.

Even the existing textile and sug industries are not in healthy state c account of the difficulties in obtaini cotton and sugarcane and dependence textile units on yarn sales. The sug industry particularly is in a parlous sta

Eastern Economist 30 Years Ago

MARCH 12, 1948

Another report has been received and pigeonholed. The Expert Committee on the financial clauses of the Constitution reported on the 5th of December 1947, and their report has already become out of date. But the financial clauses of the draft Constitution of India, although they are not based on the report of the Sarkar Committee, are in themselves clear, precise, and understandable. Very few persons will quarrel with the fact that the Drafting Committee of the Constituent Assembly has not chosen, in this transitional period, to add to the troubles of the Finance Minister at the Centre, by proposing a partial revision of the financial provisions of the Constitution. The Drafting Committee do not recommend that 50 per cent of the tobacco excise should be shared with the provinces. They do not propose to merge the agricultural income-tax with the Central income-tax, and do not contemplate, that pending the abolition of the jute export duty, West Bengal, Bihar, Assam and Orissa should be paid their share of this duty, by fixed lump sum payments. The Drafting Con mittee has not stepped up the provincial share the divisible pool of income-tax, from 50 to 6 per cent, as recommended by the Expert Con mittee on the financial provisions of the Constitu tion. The Drafting Committee have rejected thes recommendations. The only material change which they have made from the present adap ted Act—apart from the taxation of provincia trading enterprises referred to below—are th addition to the Central list of powers to regula and tax stock exchange and futures transaction the raising of the limit of taxation by provinces c municipalities on professions, trades, callings, an employments to Rs 250 per capita per annum and the assignment wholly to the provinces, c Central excise duties levied on medicinal an toilet preparations containing alcohol and opium The Drafting Committee has been wise not t depart from the text of the adapted Governmen of India Act in more material particulars tha these.

and without adequate relief and satisfactory arrangements for the cultivation of cane the existing capacity cannot be utilised. A larger number of light engineering industries and electronic units will have to be established while the transport services should be actively enlarged. If there can be intelligent crop planning and high level industrial production the regional income can grow more impressively and there will be greater elasticity in tax revenues. The central government too should spend larger amounts on new projects in the central sector, in order to enable the state government to overcome the difficulties that may be experienced for some years. Without a new strategy and faster industrial development in all sectors, Tamil Nadu cannot hope to regain its earlier reputation as a state for being industrially well developed and achieving balanced economic growth.

Mitra budget

WEST BENGAL'S budget for 1978-79 shows substantial improvement in the state's financial position which has been brought about by raising more tax revenue and by collection of tax arrears. Dr Ashok Mitra, the Finance minister, said in his budget speech that the tax measures adopted in 1977-78 were "by far the largest tax effort in any single year so far in the history of this state" and that "the additional resources we have raised in 1977-78 exceed the aggregate tax effort on the part of all the other states and union territories put together". He added that there could be no better evidence of the government's determination to ensure "responsible fiscal administration".

It is indeed commendable that though West Bengal's economy continues to be plagued by a severe power crisis with its adverse impact on production and employment, it has been possible for the government to reduce its deficit and to provide more funds for various development schemes. Against the opening deficit of Rs 56.12 crores, the closing deficit for 1977-78 is estimated at Rs 28.9 crores. During 1978-79, the deficit on revenue account will be Rs 1.79 crores and outside the revenue account Rs 25.10 crores. The total deficit would have been about Rs 55.86 crores at the end of the year but it will be reduced to Rs 25.86 crores through resource mobilisation. It is proposed to raise about Rs 20 crores of additional taxation and realise Rs 10 crores through better tax collection.

The proposals include a farm tax to yield Rs 7 crores, increase in the rural employment cess in respect of coal mines from 50 paise per tonne to Rs 2.50 per tonne, and measures to change the structure of municipal taxation and motor vehicle taxation.

Some concessions have also been given, notably the reduction in the rate of tax on purchases from registered dealers of inputs required for the manufacture of goods which are transferred to outside West Bengal otherwise than by sale in the state. The budget proposals have been generally well received by industry and trade though regret is expressed at the fact that no relief has been given to industries like jute and tea and that increase in the cess on coal is likely to affect the cost of production. The fear has also been voiced that the decision to raise the municipal taxes in respect of larger buildings, in addition to the multi-storied buildings tax already imposed, may affect construction activity.

The government should therefore implement these tax measures in such a way as will not make industrial recovery more difficult. The government should also proceed cautiously in levying the farm holding tax which is intended as a substitute for land revenue. Dr Mitra himself has acknowledged the difficulties in collecting this tax. He has referred to the "complex, legal, economic and administrative issues" that will have to be considered. It is hoped that the task force which has been set up to examine these aspects of the farm tax will give due regard to all the relevant fectors so that it can be enforced smoothly.

unemployment assistance

A novel feature of the budget is the proposal to introduce a limited scheme of unemployment assistance with effect from April 1, 1978. It has been decided to offer an allowance of Rs 50 per month to persons whose names occur in the live registers of the employment exchanges continuously for five years and whose family income is less than Rs 500 per month. The monthly allowance will be paid for three years or, so long as the unemployed persons are unable to secure gainful work, whichever period is less, and the scheme will cover, to begin with, 150,000 persons. The recipients will have to participate for two days in a week in one of the approved social welfare projects relating to primary education, social hygiene and slum clearance. A sum of Rs 9 crores has been provided for the unemployment assistance schemes and if the resources position improves, it is proposed to increase the coverage. Dr Mitra said that it gave him "intense satisfaction that we are able to initiate at least a modest scheme of this nature in this year's budget". But it remains to be seen whether the government will be able to implement it in a manner that the benefit goes

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to those who are really in need of such assistance.

The performance of employment exchanges has been generally unsatisfactory and it is doubtful whether they even maintain their registers properly. It seems likely that out of the 1.3 million names carried on the live registers of the employment exchanges, a large number continue to have their names on the registers even though they have secured jobs through their own efforts. The government has decided that new employment will in future be made only from the lists furnished by the employment exchanges and that the private sector is also being persuaded to follow this procedure. But the government does not seem to have given thought to measures to reorganise the employment exchanges so as to create confidence among the unemployed about their efficiency and impartiality and to convince the private sector of their ability to recommend the right candidates at the right time.

Dr Mitra rightly said that unemployment assistance was no substitute for gainful work. It is all the more important therefore that the state government should speed up economic recovery and provide all facilities to the existing industries to expand and for new units to come into existence especially in the backward districts. The budget has provided more funds for the development of power and other forms of infrastructure. But it is unfortunate that the Finance minister's speech continued to reveal a policy of distrust towards the large houses and the multinationals. He referred to their "exploitative role" and said that they "cannot be relied upon to carry out the essential tasks of modernisation and expansion"; and that "the interests of the toiling masses are unlikely to be served by them in the future either". He reiterated the government's determination to depend on small and medium-scale units for future industrial growth. But is the state government confident of achieving substantial results in industrial growth in the short period merely or mainly by the activities of the small and medium indu tries?

Dr Mitra's speech brought out ma serious deficiencies in the state's admini tration. He said: "The administrati machinery still moves slowly; awarene of the need for doing things at a fast pace has not percolated to all level There are, in addition, petty jealousi and wranglings over jurisdiction. Part cularly in the districts, work has bee affected because we have not yet been ab to solve altogether satisfactorily the prob lem of inter-departmental and inter-agenc coordination". The Finance minister als referred to allocations remaining unspen because of departmental lethargy or inter departmental bickerings and to the non utilisation of funds available from publi financial institutions because of lack o schemes. Therefore, while the govern ment of West Bengal may continue to urg New Delhi for the transfer of more power and resources, it should give seriou attention to tone up the administration a every level.

RECORDS AND STATISTICS

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R. C. Ummat

State elections • Approach to planning • Vegetable oils programmes • Indianisation of tea estates • Scrap imports

THE IMPRESSIVE victory of Mrs Indira Gandhi's group of Congressmen in the recent Karnataka and Andhra Pradesh state legislature elections can be expected to have a far reaching impact on the official Congress, even though the latter has been able to acquit itself not increditably in the elections to the state legislatures of Maharashtra, Assam and Meghalaya. In Assam and Meghalaya, Mrs Gandhi's faction has not been able to score any significant successes. In Maharashtra, its influence has been reflected in the election only in some parts, particularly in the Vidharbha area.

The election results of both Karnataka and Andhra Pradesh have been surprising to some extent in the sense that whereas it was generally felt that in Karnataka the contest primarily was between the Janata party and Mrs Gandhi's group, these two parties and the official Congress were closely balanced in Andhra Pradesh. The biggest sufferer in these two states has been the official Congress. The Janata party has been able to improve upon its pre-election position and can in no way be said to have been at the losing end. Its performance in Assam has been much better than expected. If one goes by the pre-election reports, it has faired quite creditably in Maharashtra also. In Meghalaya, it, of course, did not contest the election. The results in Arunachal Pradesh are in accordance with expectations.

The successes of Mrs Gandhi's faction in Andhra Pradesh and Karnataka are stated to have already induced a good deal of rethinking amongst the official Congress ranks and the possibility of significant defections from the official Congress to Mrs Gandhi's group cannot be ruled out. Although efforts are afoot for a reunion of the two groups of the Congress, it remains to be seen how far they will succeed. A large section of the official Congressmen apparently is in no mood to accept Mrs Gandhi as the undisputed leader of the Congress.

It is interesting to note that the group around Mrs Gandhi which was responsible for most of the excesses during the emergency has reared its head. A clear evidence of this was available when Mrs Gandhi addressed her first press conference in New Delhi last week since her defeat in the lok Sabha elections last year. Although her pesonal appeal among the masses appears to have increased during the course of the recent months, it primarily remains confined to the rural areas. The Greater Bombay election results have made it abeundantly clear that she has still to out-live the excesses of the emergency. It will be presumptuous, therefore, to assume that she will be able to stage a comeback at the centre in any near future.

clamour for autonomy

Another outcome of the recent state elections that can be expected is that the clamour of some non-Janata state governments for greater autonomy would gain momentum. Mr Devraj Urs, who has resumed the chief ministership of Karnataka, has already expressed himself in favour of greater delegation of financial powers to the states—a plea that has already been made by the West Bengal, government. Jammu and Kashmir, Tamil Nadu and Kerala have also been stressing greater autonomy for the state legislatures. A similar demand may be made soon by Dr Chenna Reddy who is likely to take over as the chief minister of An
Pradesh.

* *

The Planning Commission is unders
to be drawing up the future developı
tal programmes with the following o
tives in view:

(i) Removal of unemployment and
stantial under-employment within app
mately 10 years;

(ii) Provision of basic services,
drinking water supply, primary educa
and health care to the population i
lowest income groups over the s
period; and

(iii) A significant reduction in the
sent dlsparities of income and wealth.

These objectives are envisaged to
linked with the maximum feasible rat
growth and continuing progress towards
goal of self-reliance, particularly tech
logical independence in relevant fields

The new planning strategy implies c
siderable shift in the inter-sectoral a
cations of investment hitherto indica
in the previous five-year Plans. The hig
priority is now being accorded to
allotment of funds for the developm
of agriculture and allied activities
irrigation, etc, and household and sm
scale industries sector producing w
goods. The allocation of resources
power, transport and other infrastruct
would match the activity levels envisa
in agriculture and allied sectors. A
from crop husbandry, programmes
other rural development sectors will
emphasised. In addition to the secto
programmes, priority would be give
area development schemes at the bl
district levels.

Planning exercises are underway
identify areas for special emphasis. C
mittees have been set up to prepare gu
lines for area planning and indicate
concrete role of voluntary agencies in
process. Additional resources will h
to be provided for building up buffer st
of foodgrains and other essential c
modities for distribution through the p
lic distribution system. A shift in
coverage of health and education serv
from expansion in urban areas to r
areas, from higher education to elem
tary, vocational and non-formal educa
would also be made.

The allocation of funds for the la

dustrial sector may have to be limited as to provide for the additional requirents of inputs for agriculture and rural velopment and the growth of infrastrucre. In short, the thrust of the new vestment strategy would be to increase e employment content of the Plan to the tent feasible.

The following are the state-wise outlays proved by the Planning Commission r the next financial year, after consultans with state governments:

Annual Plan 1978-79—States
(Outlay approved)
(Rs in lakhs)

Andhra Pradesh	44,900
Assam	15,500
Bihar	38,414
Gujarat	33,500
Haryana	21,000
Himachal Pradesh	7,300
Jammu & Kashmir	10,800
Karnataka	33,200
Kerala	17,600
Madhya Pradesh	41,300
Maharashtra	73,500
Manipur	2,826
Meghalaya	2,811
Nagaland	2,453
Orissa	19,100
Punjab	26,000
Rajasthan	23,500
Sikkim	1,580
Tamil Nadu	30,500
Tripura	2,270
Uttar Pradesh	75,500
West Bengal	37,140
Total	560,694

* *

The union government is understood have decided to import about 0.95 illion tonnes of edible oils during the 2 months to October, 1978. This is being one to obviate any shortfall in supplies the market and for containing prices. lthough the private trade also will be llowed to import edible oils for direct onsumption, bulk of the imports are to e routed through the State Trading Cororation. The exact quantum and the inds of oil to be imported by private ade are yet to be finalised.

The government is also considering the stablishment of a Vegetable Oilseeds and ils Corporation with a view to having a rm control over the vegetable oils situaon in the country. When it is established, imports of edible oils might be entrusted to this corporation. It may also go in for purchases from within the country soon after the harvesting of the various oilseeds.

A perspective edible oils plan is envisaged to be formulated in the near future. A working group has been set up to go into all aspects of the matter. Its report is expected shortly.

Meanwhile, the Goyal Committee, which was constituted last year to go into the non-utilisation of edible oil import licences issued to the private trade towards the close of the Congress regime at the centre, has made a number of suggestions in respect of the future management of the edible oils economy. The suggestions relate to the role of the state agencies, the need for a long-term perspective for imports and exports, the importance of a single agency to coordinate policies and administrative action for the development and regulation of edible oils, the need for statutory price controls, the improvement of the functioning of the office of the Chief Controller of Imports and Exports and the effective management of imports.

The ministry of Agriculture is endeavouring to step up the production of oilseeds in the country through expansion in acreage, as well as by provision of irrigation facilities.

* *

As many as 75 sterling tea companies are stated to have approached the union government for Indianisation of their management. The government has clarified that the purchase of sterling shares by Indian residents requires the prior approval of the Reserve Bank of India. Even if sterling shares have been purchased on the London Stock Exchange by non-resident Indians, they would be counted as non-resident shareholding and the obligation to reduce the foreign shareholding to 74 per cent under the Foreign Exchange Regulation Act (FERA) will still remain on the company.

The following are the tea companies/estates which desire to Indianise themselves:

Angoorie Tea Estates, Assam Frontier Tea Co, Assam Company, Assam Estates, Attareekhat Tea Co, Assam Dooars Tea Co; Bargang Tea Co, Bordubi Tea Co, Boyai Tea Co, British Indian Tea Co, Boyelli Tea Co, Bamgaon Tea Co, Bazaloni Tea Co, Buxa Doors Tea Co, British Darjeeling Tea Co, British Assam Tea Co, Bengal United Tea Co, Brae & Chingur Tea Estates Ltd, Balijan Tea Co, Belseri Tea Co, Badulipar Tea Co, Cachar & Doors Tea Co, Cooperative Wholesale Society, Corramore Tea Co, Craigmore Land & Produce Co, Chulsa Tea Co, Doom Dooma Tea Co, Darjeeling Consolidated Tea Co, Dangua-Jhar Tea Co, Duamara Tea Co, Dejoo Tea Co, Deamoolie Tea Co, Dekhari Tea Co, Empire Plantations, Eastern Assam Tea Co, Endogram Tea Co, Gingia Tea Co, Greenwood Tea Co, Halem Tea Co, Harmuthy Tea Co, Hope Tea Co, Hatimara Tea Co, Hunwal Tea Co, Itakhooli Tea Co, Imperial Tea Co, Isa-Bheel Tea Co, Jorehaut Tea Co, Jhanzie Tea Association, Koomsong Tea Co, Laktaria Ltd, Lebong Tea Co, Leesh River Tea Co, Longai Valley Tea Co, Marangi Tea Co, Majuli Tea Co, Maobind Tea Co, Madras Tea Estates, Moran Tea Estates, Meenglas Tea Co, Pabbojan Tea Co, Rajmal Tea Co, Rupajuli Tea Co, Rupai Tea Co, Rajat Ali Tea Co, Southern India Tea Estates Co, Stanmore Anamallay Estates, Singlo Tea Co, Scottish Assam Tea Co, Salonag Tea Co, The Sonalbheel Assam Tea Co, Thanai Tea Co, Tingri Tea Co, Tara Tea Co, Upper Assam Tea Co, and Zaloni Tea Estates.

* *

The electric are furnaces, commonly known as mini-steel plants, have been allowed to import some limited quantities of certain specified categories of ferrous scrap. The decision has been taken after an assessment of the anticipated shortage in indigenous availability, the low prices of scrap prevailing in the international market and the need for imparting some stabilisation to scrap prices within the country.

Inadequate availability of scrap from indigenous sources has been adversely affecting the operations of these plants, besides the demand for steel. The situation, of course, is stated to have improved slightly in respect of demand, particularly as a result of the revival of the construction activity. The imports of limited quantities of some specified qualities of scrap, it is hoped, will go some way in improving the operations of mini-steel plants.

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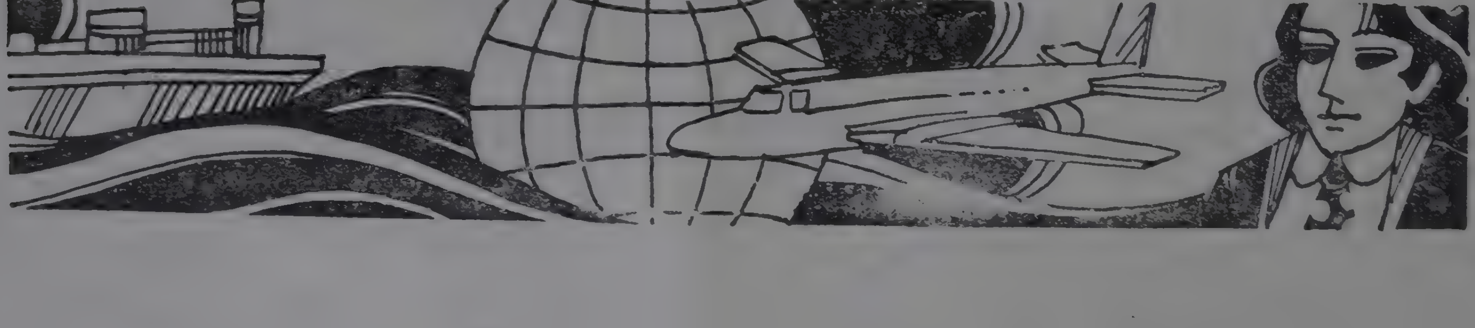

Can sales tax be abolished?

P. K. Bhargava

Lack of uniformity in the incidence of per capita sales tax among different states reflects inequity and is a major cause of tax evasion. The author pleads for reforms and a broad uniform rate structure for the sales tax, at least among the neighbouring states, to check this evasion, until a way is found for its replacement by a uniform Value Added Tax.

In RECENT years, the sales tax has emerged as the most important sources of revenue in the states' tax system. The state governments have found it as the most elastic source of revenue. Hence, its percentage contribution in the revenue from state taxes and the yield from it has increased rapidly. Revenue from sales tax[1] formed 26 per cent of the revenue from state taxes in 1951-52. This percentage increased to 38 in 1961-62 and further to 44 in 1976-77 (Budget)[2]. In absolute amount the yield from sales tax increased from Rs 58.93 crores in 1951-52 to Rs 181.44 crores in 1961-62 and further to Rs 1637.50 crores in 1976-77 (Budget). Thus, during the period 1961-62 to 1976-77, the yield from sales tax increased by 802 per cent as against an increase of 109 per cent in the yield from land revenue and an increase of 76 per cent from agricultural income tax, an increase of 660 per cent from state excise duties and an increase of 673 per cent in the revenue from all state taxes. These data clearly show that sales tax occupies a predominant position in the states' tax system.

lack of uniformity

There is no uniform pattern regarding the sales tax in different states. In some states, such as West Bengal, Assam, Orissa, Punjab, Jammu and Kashmir, Madhya Pradesh and Rajasthan the tax is levied at a single point basis. On the other hand, Tamil Nadu, Karnataka, Kerala, Andhra Pradesh and Bihar impose multiple-point sales tax. In some states such as Uttar Pradesh, although the tax is levied on the multi-point basis but a large number of items are taxed at a single point. There is also no uniformity regarding the rate of the tax and the commodities that are exempt. In some states, even foodgrains and pulses are taxed while in some they are exempt. In the case of luxury articles, in almost all the states the tax rate is between 10 to 15 per cent but there is diversity in the schedule of luxury articles.

The per capita incidence of the sales tax among the different states differs considerably. Unfortunately, the relatively better-off states with higher per capita income do not necessarily have higher per capita incidence of the tax. For instance, in 1976-77 (Budget) Punjab ranked fourth in terms of per capita sales tax revenue at Rs 43.27—the first three being Maharashtra (Rs 53.07), Gujarat (Rs 46.79) and Kerala (Rs 45),—although the state has the highest per capita income. Similarly, the per capita sales tax at Rs 17.52 Uttar Pradesh is considerably lower as compared to Kerala (Rs 45), Rajasthan (Rs 22.56) and Madhya Pradesh (Rs 19.53), although the per capita income of these states is relatively lower than that of Utter Pradesh. These data not only reflect the inequity in the incidence of per capita sales tax among different states but they also indicate that there is considerabe evasion, at least, in those states that have higher per capita income but lower per capita incidence of the tax.

POINT
OF
VIEW

Although no precise estimates regarding the evasion of sales tax in different states are available but there are strong reasons to believe that the evasion takes place on a large scale. As the sales tax is shown separately, it invites resistance from consumers and encourages the traders to evade the tax by not issuing the cash memo, so that such sales are not recorde at all. Evasion also takes place due t the high rates of the tax as also due t lack of uniformity in rates in the neig bouring areas. For instance, in Haryan a number of commodities are subject t four per cent central sales tax, while ther is no sales tax on these items in Delh Since there is no sales tax on the transfe of manufactured goods from the factor to the godown anywhere in the country many industrialists shift their product t Delhi and sell them from there. Thus, i this process the government of Haryan is deprived of the sales tax revenue.

multi-point system

Sales tax is not liked by the traders because of the problem of maintainin accounts and the harrassment that i caused to them by the officials of th Sales Tax Department. The maintenanc of accounts is relatively easier under th multi-point system of taxation, but unde the single point taxation the dealers hav to maintain separate account of sales t registered dealers or manufacturers, wh are exempt from the tax, and the unregistered dealers from whom the tax is collected. This causes inconvenience to th traders. There is also the problem o harrassment to the traders by the official of the sales tax department, especially i those states where the sales tax official have been given wide powers to reope the past cases for a longer period.

For instance in Haryana, the taxatio authorities are empowered to reope reassessment cases even after fifteen years Such powers lead to corruption. Trader have also to face the various difficultie due to the various formalities to be completed by them and due to the complicate sales tax forms. It is on account of thes various difficulties that the Janata government promised to abolish the tax in it election manifesto. It is very difficult t say whether the state governments ca afford the abolition of the tax because i the state's tax structure sales tax is th only tax which yields a sizable revenu and the state governments have introduce necessary changes in it in the past to rais additional revenue. However, there i no denying the fact that the various problems connected with the sales tax must be removed. As a measure of fiscal reform, the first step required in this direction is that the sales tax should be comouflaged with the price of the taxed commodities as in the case of excise duties so that there may be no resistance from the consumers and the traders may also not be prompted to evade the tax.

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[1] Includes sales tax on motor spirit.

[2] This percentage would be as high as 56 if revenue from central Sales Tax and purchase tax on sugarcane is also included.

Some broad uniformity regarding the rate structure and the exemptions is also necessary, at least, among the neighbouring states, so that evasion could be checked. In order to check sales tax evasion, the goods consigned to a businessman in any part of the state should be delivered only when the necessary documents are endorsed by the sales tax officer of the area. If this is done, then it will be necessary for a dealer to record the sale of goods. There should also be frequent surprise checking of stock registers of the dealers by the sales tax inspectors and officers but it should be ensured that harrassment is not caused to the traders and in cases of complaint by the dealers the superior officers must make a thorough investigation and severely dealt with the corrupt officials. In order to reduce the workload of the Sales Tax Department a scheme of self-assessment should be introduced for the 'marginal traders'. Such traders should be allowed to deposit their tax and there may be some test checks in the case of a few self-assessment by the inspectors with the prior approval of their superior officials.

In order to reduce the cascading effects of sales tax, inputs to registered dealers, so also the exports should be completely exempt or a full refund should be made to them so that the undesirable cost-escalation does not take place and that the exports are not adversely affected. The rate of inter-state sales tax, which is subject to a ceiling of four per cent, should be brought down to one per cent as recommended by the Jha Committee so that the inter-state trade and commerce experiences a healthy growth. We are also of the opinion that the importing states should be authorised to assess and collect the tax under the Central Sales Tax Act so that the revenue so raised could be utilised for the benefit of their own citizens.

It may be emphasised here that the replacement of sales tax by Valve-Added Tax (VAT) or additional duties of excise is not feasible at present. The VAT, no doubt, has a number of advantages in so far as it can help in reducing the cascading effects and also provide an in-built mechanism of cross checking check the tax evasion. However, t successful operation of the VAT requir that the various units must mainta a detailed record of taxes paid by the on the various purchases as also the sal made by them. This difficulty will greater where the number of firms very large and their size is smaller. Th requires an efficient and honest ta administrative machinery which is lackin in our country. There is another probler which is of a more serious nature Whether all the state government wi agree for replacement of sales tax b VAT which will be administered by th central government. Our past experienc with the state governments regarding th additional duties of excise shows that the have not favoured the idea of furthe extension of the scheme to some othe commodities as they have interpreted i as an encroachment on their fiscal autonomy. Thus the state governments are neither likely to agree with the replacement of sales tax by VAT nor by additional duties of excise. Accordingly, we are of the opinion that till such time we reach a stage when sales tax may be replaced by VAT, certain reforms may be introduced in the existing system of sales tax so as to remove some of its deficiencies.

Underwriting of capital issues by LIC

V. Dixit

Extracts from a paper presented by Mr V. Dixit, Executive Director (Investment), LIC, Central Office, Bombay at a seminar on "Management of Corporate Insurance", held at Hyderabad under the auspices of All India Management Association.

WHEN I talk of "underwriting", it is in relation to "underwriting of capital issues" which as you all know, is distinct from underwriting of insurance. Although this is so, underwriting of capital issues is also in the nature of an insurance, it is an insurance to the company which proposes to make a public offer of its capital issue against the risk of the public not fully subscribing to the issue and against its thus having to make do with a lower capital intake than needed. Underwriting, therefore, involves the underwriter agreeing to subscribe directly or to procure subscription for that portion of the issue which is not taken up by the public so as to ensure that the company making the issue gets its full requirement of capital. For the risk which the underwriter undertakes, he is paid a commission. When there is more than one underwriter, the liability is shared by them pro-rata to the amounts underwritten by them.

You will thus appreciate that an underwriter plays an important role in mobilising finance for industrial ventures, and underwriting has today become an essential part of the capital market. This is particularly so in a less developed country like ours where raising of capital is beset with many difficulties. On the one hand capital is shy, and on the other, the habit of investment in shares and debentures is confined only to a small sector of the urban elite. In a situation like this, there is a tendency for the investors to go by the name under whose sponsorship the issue is made, and only if the promoters are well-known personalities with experience of running an industry, the issue gets a good response. In these circumstances, underwriting assumes crucial importance. For, once the underwriter is satisfied about the financial soundness of the capital investment and he agrees to underwrite the issue, the promoter is assured of his money and can go ahead with the implementation of the project. Apart from this, the name and standing of the underwriter also often helps in enthusing the investors in applying for securities which he has underwritten. The importance of underwriting of capital issues has now been so well recognised that one rarely comes across a public offer of shares or debentures that is not underwritten.

Prior to the era of planning, underwriting of capital issues was confined to commercial banks, share and stock brokers, insurance companies, and investment companies. Their underwriting activity was, however, sporadic and largely unorganised and uncoordinated. With the advent of planning and the increasing tempo of industrialisation, the need was growingly felt to organise the underwriting activity on scientific lines. The first step in this direction was taken in 1955 with the establishment of the Industrial Credit and Investment Corporation of India (ICICI). Since then, the activity has been increasingly institutionalised. Industrial Finance Corporation of India (IFCI) entered this field in December 1956. The Life Insurance Corporation of India (LIC) started underwriting of capital issues in 1959. Then followed the setting up of the Unit Trust of India (UTI) and Industrial Development Bank of India (IDBI) in 1964. As IDBI started functioning, it became possible for all the financial institutions to provide coordinated approach to underwriting. The latest to join the league of the financial institutions is the General Insurance Corporation of India (GIC)

the big six

These six institutions today constitute the backbone of the capital issues underwriting in the country and are able, by themselves, to take care of most of the capital issues. Nowadays it is only in the case of very large issues like fertiliser, paper, cement etc. projects, that other agencies like commercial banks etc. are invited to participate in the underwriting of capital issues. Over the years, the financial institutions have rendered great service to the Indian industry through their role as underwriters. Without their active support, the industrial progress that we see today, the broadening of the entrepreneurial class, the regional dispersal of industry and the wider share ownership would hardly have become possible.

The LIC has played a significant role in the field of underwriting and as a matter of fact it has been the single largest underwriter of new issues in the country for many years. Although of late it had to surrender this pride of place, it is well to remember that LIC as an underwriter is significantly different from the other underwriters in the field. Unlike is the case with some of the other institutions, the underwriting by LIC is merely an extension of its investment operations and not a business in itself. It is, therefore, that when the LIC underwrites any particular issue, it also applies for the same to the full extent of its underwriting along with the public. This is somewhat different from the procedure followed by the other underwriters who usually only take up their liabilities when the subscription list is closed.

LIC's role

For a proper understanding of the LIC's role in this field it would help to take into account the nature of LIC's funds and the statutory constraints within which it has to operate. Life insurance business was nationalised in 1956 and placed under the nation's trust. The main objectives of nationalisation were the spread of insurance to the neglected areas and also the utilisation of the savings of the people in such activities as would ensure not only a maximum return to the policyholders consistent with safety of capital but also the welfare of the nation as a whole.

The corporation's funds represent the savings of its policyholders. Quite appropriately, therefore, such funds should be looked upon as trust funds and should be invested and administered in the best interest of the policyholders. Section 6(1) of the LIC Act enjoins on it the duty of carrying on its business to the best advantage of the community. The implication is that the corporation, as the single largest investor in India, has to keep before it the interests of the community as a whole. It has, therefore, to invest in ventures which further the social advancement of the country. Its funds are drawn from all over India and as far as practical considerations allow, have to be invested for the good of the entire country.

The corporation is required to invest its funds within the frameworks of Section 27A of the Insurance Act. This section defines, in fairly precise terms, the ambit within which the LIC can operate in the matter of investments. As now applicable, the said section provides that the following pattern of investment should be followed by the corporation in respect of its annual accretions to the Controlled Fund:

	%age of accretion to the Controlled Fund
A. Socially Oriented	
(i) In government of India marketable securities being not less than	25
(ii) In government of India and state government securities including government guaranteed marketable securities including (i) above being not less than	50
(iii) In socially oriented sector including public sector, cooperative sector, house building by policyholders, OYH schemes including (ii) above being not less than	75

It will thus be seen that about 25 per cent of the Controlled Fund is available for other investments. Out of this, allowing for utilisation of funds for purposes which do not strictly come within the ambit of investments, about 10 per cent to 12 per cent of the Fund is available for investment in the private corporate sector. Even here, the LIC is required to invest its funds predominantly in the well established joint stock companies working for some years and paying interest or dividend regularly during the period. It will be seen that the main emphasis of the section is on the safety of the capital invested, ensuring at the same time, a dependable return.

The section also enjoins on the corporation to play a more dynamic role in the nation-building activity.

LIC started underwriting practically from its inception and over the years, its volume of investments as a result of underwriting has considerably increased. It had held the position of the largest single underwriter in the country for many years and even today it remains one of the largest underwriters in the country.

Investments in new capital issues and particularly in initial issues of new companies carry an inherent risk of not yielding any return for a number of years and, in fact, such investments have a tendency to depreciate in value. But the approach of the corporation to underwriting is, as mentioned above, that of an investor and not one of a catalytic agent to generate public subscriptions. It is said that the new issue market is a pasture for the stags who apply for shares in new issue in the expectation that they will be able to obtain a profit on the transaction as soon as the shares are quoted on the stock exchange. This is not, however, the attitude of the LIC which is a genuine investor. It does not indulge in speculation nor does it take advantage of temporary fluctuations in the market prices. It invests on a long term basis.

inherent risk

Because of the inherent risk in new issues, the LIC has set up a well-knit department to appraise all industrial projects and advise the management on the investment merits of underwriting proposals. There is also a regular exchange of views at all levels with the other all-India financial institutions engaged in similar activity. While taking interest in new companies or in new projects of existing companies, the paramount consideration of the corporation has always been the interest of its policyholders, and only such projects or investments are selected and recommended for underwriting as, on a close scrutiny, appear to have the least element of risk and give promise of a fair return on the investment after the initial gestation period is over.

Any investment in industrial securities implies present commitment of funds in the expectation of future gains. As future gains are generally uncertain it is not possible entirely to eliminate the element of risk from investment whether the investment is in debentures, preference shares or equity shares. These different types of investments carry different degrees of risks and skill in portfolio management lies, not only in selecting those particular investments within each class as carry the minimum risk both as regards the return and the repayment of capital but also in maximising the overall yield on the portfolio, given the level of risk that can be taken. It would, therefore, not be correct to say that only new issues of capital that are available for underwriting are imbued with the risk factor; this is true also of the shares and debentures of existing companies quoted on the stock exchanges. If one scans the stock exchanges' list one will come across a galaxy of shares quoted today at a substantial discount in the market, whereas a few years back, the same shares were reckoned as *blue chips* commanding handsome premium.

As funds have to remain without a return initially during the gestation period public support to new issues has always been selective. The investors consider the standing of the promoters, the quality of management, and the project profitability etc. before they proceed to subscribe. One has to be convinced before making a decision that the project in which he is planning to invest is an economically and financially sound proposition and also a technically feasible one and he has furthermore to be satisfied with the management as well as organisational competence.

constant review

An institutional investor carries out constant review of investments and maintains a checklist for different industries on items like acceptable quantum of demand to be fulfilled, proportion of loan and equity, ratio of working capital to sales/fixed capital, rates of capacity utilisation over the life of the project, pay back period, rates of internal return etc. The institutions examine a proposal in depth from all angles and note the deficiencies and gaps observed in the project reports. They also take into account the measures taken for removing the deficiencies noted in the proposal. The approach of an investor is primarily conditioned by the *profit potential* of the project. Its main consideration for supporting any project is whether the project to be financed would yield sufficient profit to adequately service the loans raised and also a reasonable and steady dividend on the share capital.

Even though project reports containing fairly detailed information are received, still the appraisal department makes a review of its own and obtains all relevar information and data from various source including public documents books, magazine articles, other special sources etc. fair estimate is made of the installe capacity obtaining in an industry and the present and future demand for th product. Capital structure of a compan divided into loan, equity and preferenc shares is examined as to whether th debt-equity ratio is such as to service th loan. Profitability differs from compan to company even though in the sam industry. It is not too difficult to mak an assessment of the working of th existing companies and forecast the futur working. However, great care has to b exercised about companies entering fo the first time in business.

The factors which the LIC takes int consideration while evaluating an underwriting proposal are, as is seen, diverse In brief, however, they can be summarise as management competence, technica feasibility of the project, economic viability and the profitability of the project.

For the success of any project, th quality of its management is of particula importance. It is well said that even good project will flounder in the hands o a bad management and that a goo management can make a success of a ba project. The corporation makes a thorough an investigation as possibl regarding the background of the promoters, their experience, their qualificatio etc.

financial stake

It is not just adequate that the promoters have the necessary managerial know how. They should also have a satisfactor financial stake in the concern they manage How much such stake should be, is matter for one's judgement. But as fa as the financial institutions are concerne they have prescribed a stake of 15 to 2 per cent of the total project cost includin margin for working capital. Whereve this is within the 40 per cent of the equit capital, as laid down by the Controller o Capital Issues, such stake can all be i the equity shares. The balance should b either in the form of preference share and/or unsecured loans.

The project should also meet the techni

cal tests. Where any foreign know-how is required, the corporation sees to it that the know-how is in use in other parts of the world and that it has become a success. It would not like to invest in ventures which are being used as guinea pigs to try out a new development or process. It also closely examines the reliability of the collaborators to the extent possible.

A detailed study is also made to ascertain that the location selected holds out all the advantages necessary. Similarly the corporation also verifies as regards the availability of the raw materials, supply of power, supply of water and of the transport facilities necessary to move in the raw materials etc. and move out the finished products. Wherever necessary, detailed discussions are held with government authorities to satisfy that they would be in a position to meet adequately the requirements of power, water and transport for the project.

economic aspects

The economic aspect of an appraisal has reference to the earning capacity of the project and, since earnings depend upon the volume of sales, it is necessary to determine how much of the output of the new unit, or the additional production from an established unit in the market, is likely to be absorbed at given prices. To determine this, the corporation carefully considers the current situation, taking account of the total output of the product concerned and the existing demand for it, with a view to establishing whether there is an unsatisfied demand for the product. It has also to take a view as to how the demand-supply balance will behave during the years to come over the life of the project. For this purpose, all available data as regards the estimates of future demand, the licences issued, the licences that are likely to be implemented etc. are scrutinised.

Whenever it is felt necessary, the promoters are prevailed upon to obtain a market survey report from well-known agencies in the field. A thorough market analysis is an essential part of any full appraisal. It is necessary to obtain details, as far as possible, of the other units in the industry and of the likely entrants in regard to capacity, production, age of the plant, technology adopted, profitability, scope of expansion etc. The purpose is to determine whether and to what extent, the project being appraised would have cost advantages or disadvantages compared to the existing and potential competitors.

Then proceeds the financial appraisal of the project. This appraisal is by and large designed to seek answers to the following:

—Whether the estimates of the cost of the project fully cover all items of expenditure and are realistic;

—Whether the sources of finance contemplated by the promoters will be adequate and the financing structure is such as all the categories of investment could be properly serviced; and

—What is the likely impact of the project on the level of production, sales, net earnings, borrowings, cost etc. of the unit.

In order to establish that the cost estimates are reasonable, a critical review is made by comparison to the cost of the other similar units and by reference to the quotations obtained or orders placed. Every item going into the cost estimate is thoroughly scrutinised, and especially those items which cannot be ascertained by reference to quotations etc. On top of this, it is also seen that an adequat provision is made for escalation where th cost estimates are not firm and also a further provision for contingencies to tak care of the unforeseen expenditure. I has, however, been observed of late, ir most of the projects which are unde implementation, there is an alarming overrun in the cost notwithstanding the car taken by the financial institutions to provide for adequate contingency. Such sort of a situation is not unusual in an inflationary economy and the institutions are seized of the question whether an extra provision over and above the norms adopted for contingency should be made in the cost estimate.

The cost of a project should also include the project's own-fund requirement for working capital, comprising the running expenses of the project and the margin which banks normally require for granting cash credit facilities of working capital against hypothecation of the current assets. For ascertaining the said requirement, it is essential to find out how much of the raw materials, stores etc., the unit will have to stock, depending upon its production cycle, the type of raw materials needed, their availability etc, and also how much of the goods produced will remain in stock.

After a reasonable cost estimate is

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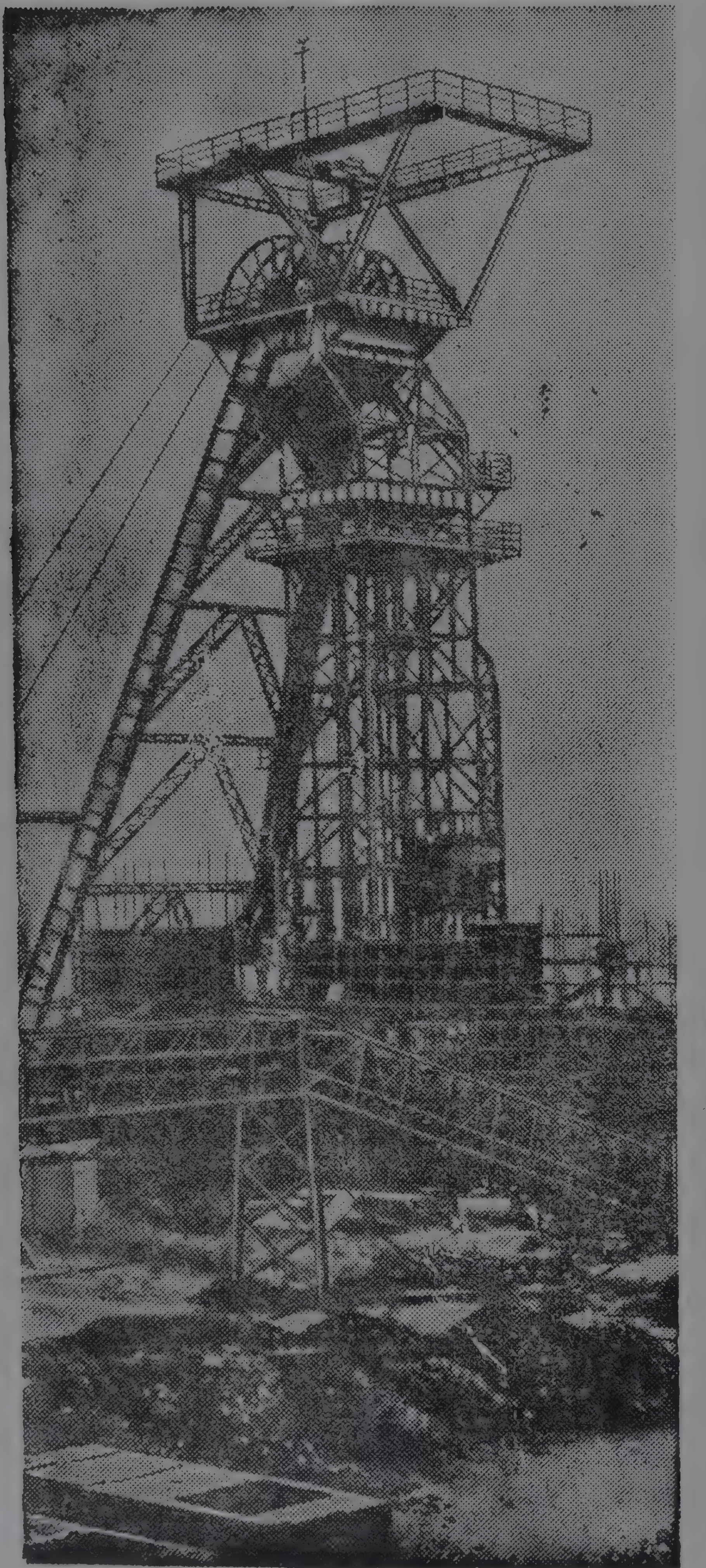

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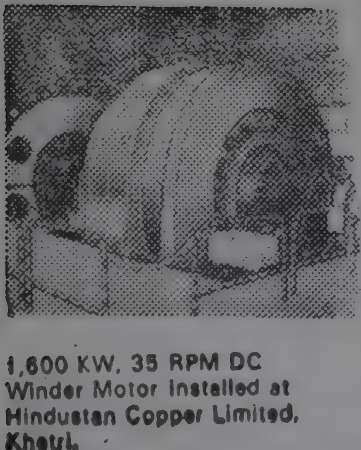

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reached, it is necessary to determine the best manner in which it has to be financed. This is done in consultation with the promoters and the other financial institutions. It is in the interest of the equity shareholders that the overall cost of capital which finances a project is kept as low as possible. The cheapest mode of financing is debt capital and the equity shareholders would normally prefer that in the financing structure the equity is kept to the very minimum. But the institutions have to take a balanced view depending upon the type and the nature of the industry, inasmuch as any increase in the debt capital beyond certain limit tends to increase the risk of the business. In the UK the debt-equity ratio is generally 40:60, but such a ratio in our country, where risk capital is generally still very shy, may not hold good. The institutions, therefore, normally allow a debt-equity ratio of 66:34 in the case of capital intensive industries, but for other industries it varies between 60:40 to 63:37.

There is similarly a relationship between the equity capital and the preference capital. A large proportion of preference in relation to equity is not conducive to prudent financing, and care is taken that the preference capital does not exceed one-third of the equity.

project appraisal

This now leads us to the most important aspect of project appraisal viz, the profitability of the project, which in the final analysis, is the *sine qua non* of any enterprise. For any assessment of the earning capacity, it is necessary to ensure that the products manufactured will be in demand and that the concern is in a position to manufacture them at costs and sell them at prices which will allow adequate profit margin even in a competitive market.

To arrive at a fair and reasonable estimate of the profitability, it is necessary to take a view of the capacity build up that the plant can reach and, depending on the same and also on the estimated demand for the products during each of the years, the actual output has to be worked out. It is also essential to see at what prices the producer can sell his product in the market and for this a study has to be made as regards the price trends of the particular commodity, prevailing prices, the possibility of any price control etc. As for the cost of manufacture, the actual inputs of raw materials, power, labour etc, as also the prices at which they will be available have to be established as also the overheads. A number of variable factors enter into the cost of production, pointing to the need for preparing also sensitivity estimates. The estimate of earnings has to be made upto the time the unit is expected to establish itself in the market and reach a satisfactory level of production.

cashflow chart

It is not enough that the estimate shows a profit; this should be available in the form of cash and in right time to meet the requirements of the project. It is also necessary to see that the financial planning for meeting the cost of the project to be established is properly made and that the implementation of the project would not suffer from non-availability of funds at the proper time. It, therefore, becomes necessary to draw up a cashflow chart of the project, which also helps to establish the gestation period, the time it will take to pay a dividend and the span of years over which the debt financing could be returned.

The cashflow also facilitates the preparation of the proforma balance sheet which would reflect what the financial standing of the enterprise would be at any point of time.

Ratio studies are regarded as an essential part of any financial appraisal. They indicate the interelationship between financial facts. Some of the basic ratios employed in the financial appraisal are given below;

(i) Debt-equity ratio (explained above);

(ii) Current ratio—i.e. ratio of current assets to current liabilities. Its purpose is to indicate whether the concern can pay off the current liabilities as they mature. A current ratio of 2:1 is considered satisfactory but a lower ratio of 1.5:1 may be acceptable.

(iii) Ratio of profit to sales;
(iv) Ratio of sales to total assets;
(v) Net profit to net worth;
(vi) Net profit to equity; and
(vii) Debt coverage ratio.

The LIC, as mentioned, has been one of the foremost underwriters of new capital issues in the country. The other all-India institutions in the field are IDCI, IFCI, ICICI, GIC and UTI. The magnitude of LIC's underwriting during the past can be seen from the following figures;

(Figures in lakhs of rupees)

Year	Debentures	Preference	Equity
1958	115.00	20.00	3.00
1961	270.00	91.49	116.50
1964-65	695.00	206.00	187.00
1968-69	1,025.00	109.00	107.00
1972-73	67.00	210.50	103.13
1973-74	290.50	124.00	85.00
1974-75	—	135.00	189.00
1975-76	25.00	187.00	215.00
1976-77	95.00	80.00	264.00

These figures indicate that there has been a decline in the underwriting of debenture issues during the last few years. This is primarily because there were not many debenture issues seeking LIC's underwriting support. The setback in new debenture issues was, however, more than made good by direct term borrowings by companies. It is well known that, besides underwritings, LIC also grants direct term loans for industrial purposes and its effort in that direction can be judged from the fact that during 1975-76 it sanctioned term loans of the order of Rs 2,241 lakhs to companies and that the figure for the subsequent year viz, 1976-77 was Rs 3,452 lakhs.

It is not that all the issues which the corporation has underwritten after a careful appraisal have proved a financial success. It is still nursing in its portfolio quite a few shares which are not giving any return on the investment. This is inevitable in a large and growing portfolio and, however, careful and thorough the appraisal be, it cannot totally eliminate the risk which a business involves. But by and large the appraisal which it makes has helped the corporation acquire shares which have shown prospects, and its overall experience so far has been satisfactory.

Britain will soon be among top ten oil producers

Frank Frazer

Discovery of oil in the North Sea is at present contributing to almost half of the requirements of Britain. According to the author, who is the Energy correspondent of The Scotsman, Edinburgh, Scotland, the total production by 1980 is expected to be over 90 million tons, making Britain one of the top ten oil producers.

WINDOW ON THE WORLD

THE DRAMATIC improvement in Britain's economic performance during the past year has been helped to a substantial extent by the build up in production of North Sea oil.

Output from the eight offshore fields now operating is contributing almost half of the country's oil needs. Total production is expected to more than double to over 90 million tons a year by 1980, making the country self-sufficient in its principal form of energy as well as being one of the world's top ten oil producing states.

This will have been achieved within a decade of the first traces of oil in commercial quantities being found beneath the stormy northern waters which oilmen readily acknowledge have presented them with one of the toughest and most challenging environments in which they have had to work.

They have had to design, build and install production platforms which can withstand waves up to 30 metre high and winds gusting to more than 160 km/h. They have had to work in water depths down to 300 metre as the search for more oil is extended to the outer limits of Britain's continental shelf.

But their efforts have been successful, in terms of both the supplies of oil that are being developed and the benefits which are accruing to Britain and the companies that have participated in the offshore oil search.

The drive to get North Sea oil ashore was intensified by the four-and five-fold increase in world oil prices shortly after it became apparent that the area contained one of the world's largest untapped offshore oil provinces. And initial experience has shown that many of the fields are capable of yielding more oil than originally estimated.

The large Forties field, the first big find to be put on stream, was scheduled at the outset to produce a peak flow of 400,000 barrels a day. But within two years of starting up it has already exceeded that level and the operators put the peak flow at 500,000 barrels.

Similarly, the peak output from the Piper oilfield has been upgraded from fewer than 250,000 barrels a day to an expected 300,000 as a result of a production performace that has exceeded what was originally forecast.

Exploiting the North Sea's oil reserves has called for capital investment on a scale rarely experienced before. During 1977 alone exploration and oilfield development activities in the British offshore zone are expected to cost £2,500 million.

Over the next three years a further £8,000 million is likely to be spent and British government officials estimate that the grand total of expenditure between 1972 and 1985 will be in the region of £25,000 million.

remarkable effort

The technological effort needed to develop the oil reserves has been even more remarkable. Because the North Sea is an important fishing area, high priority has been given to exploiting the oil in such a way as to minimise the danger of oil spills as well as protecting the lives of men stationed on the production platforms.

This has demanded highly sophisticated technology geared to a standard of reliability similar to that of a space programme. Indeed, it is notable that technology had got men to the moon several years ahead of the first oilfield in the northern North Sea being put on stream.

Because Britain had no big oilfields before the North Sea discoveries some of the early technological expertise and equipment had to be imported from other oil provinces. But within a few years the country has developed a thriving offshore oil support industry now employing well over 100,000 people and supplying about two-thirds of its needs.

With much of the activity pushing technology to new limits, the British oil industry has been able to win a place in the forefront of today's offshore engineering technology and this is beginning to pay dividends as other countries with offshore oil and gas potential look to Britain for the transfer of technology.

The North Sea, because of its challenging environment, is likely to become an established test bed for many of the newer techniques which will help to make offshore oil exploitation a more reliable and less expensive operation for Britain and many other countries.

In particular the next two or three years will probably see new types of production structures being developed to replace the large and costly platform fixed to the seabed which have been used to develop oilfields in the past.

A particularly promising development has been the tension legged platform which floats in tne sea and is held on location by a permanent anchoring system. One of its advantages, apart from being less expensive to build and quicker to install, will lie in the ability to move the platform and its equipment to another site once an oilfield is exhausted.

Further big developments can be expected in underwater engineering as a result of the tendency for oilfield planners to make increasing use of equipment installed on the seabed. Already a number of North Sea oilfields are operating with subsea wellhead assemblies which can extend the area of a field drained through a single platform system.

Several British firms have been actively involved in research which is expected ultimately to lead to entire oilfield production systems being installed beneath the surface and serviced by engineers descending in special craft to watertight chambers where they can work in "shirt-sleeve" conditions.

Government support is also being given to studies which could result in electricit being generated offshore, using sma pockets of gas that have been found a some northern locations. If a system o floating power plant can be devised i could provide a more economic means o exploiting the gas than having to pipe i ashore.

There are, however, plans taking shap for a big network of pipelines which wil gather gas found in larger accumulations often in association with oil, at many North Sea locations. This gas, as well as contributing to Britain's fuel and powe needs, could provide a valuable source o feedstock for the further expansion o petrochemicals.

Market for foreign automobiles in Japan

Foreign automobiles have had only limited success in Japan. This is because, until recently, there was no success to be had. Now there is. Due to several new developments, imports should be able to gain a growing share of the Japanese auto market.

As in any major new effort, success for imported cars in Japan is neither assured nor easy. Vigorous market development, a rethinking of marketing strategies and sound organisation are required. The opportunities exist, however, and that is what free trade is all about.

ONLY SINCE the late 1960's has the Japanese consumer been able to afford an automobile. And, until now, few consumers have been able to even consider buying an imported car. Imported cars have been regarded as luxuries; company presidents and celebrities have been the only customers who could pay prices well beyond those of domestic-made cars for one of these status symbols.

Not surprisingly, sales of imported autos have been low in Japan. The best year so far has been 1975, with sales of 43,090 passenger cars. Sales of 41,218 and 41,565 were registered for 1976 and 1977 respectively. Thus, imports have accounted for only around one per cent of the Japanese automobile market. Recently, these statistics, together with the fact that Japan is a major automobile exporter, have been the cause of occasional foreign criticism of Japan's automobile trade.

Japan's tariff on automobiles has been only 6.4 per cent, the second lowest of any automobile producing country. And, as of April 1978, the tariff will be reduced to zero.

But there have been complaints that "non-tariff barriers" hinder exports of cars to Japan. Specifically, two barriers have been mentioned; Japanese automobile standards and the distribution system for imported automobiles.

Japan has very tough pollution and safety standards for automobiles. In a country as crowded as Japan, anything less is intolerable. These standards, however, have not discriminated against foreign automobiles. The only instances of automobile standards not applying equally to foreign and domestic-made cars have been the several cases of government discrimination in favour of imports. Most notably, foreign automobiles continue to enjoy special grace periods for meeting various pollution standards.

The government has also moved to simplify and quicken the automobile inspection and type approval systems. Japan is sending special inspectors to the EEC countries and the United States for preliminary inspections. Certain facilities overseas have been authorised to conduct part of the testing.

There is very little the government can do about the automobile distribution system. In fact, the distribution system should in no way be thought of as a non-tariff barrier; the government has nothing to do with it.

The typical distribution arrangement has been for the foreign manufacturer to contract with a Japanese importer, often on a sole agent basis and for the importer to establish a dealership network. For most practical purposes, the foreign manufacturer's involvement in the system has usually ended with delivery of the cars to Japan.

Since foreign cars have been thought of

s luxuries, the prevailing marketing policy has been one of "high margins and ow volume." Delivery prices have been high, as have distributors' and dealers' margins. Now that many realise that this policy is unwise, the "Japanese distribution system" and its supposedly inherent high margins are being called barriers to the market. Such criticism fails to recognise that the "Japanese distribution system" is merely the way the private parties involved, both foreign and domestic, have decided to conduct their business, presumably to their best interests.

super-car boom

What has made a high margin/low volume policy unwise is the growing potential for volume sales of imported autos in Japan. Japanese incomes are rising. The automobile is becoming a necessary part of daily life for many Japanese and is an integral part of recreation. Japan is reaching the more developed stages of matorisation; styling and options, as opposed to simple utility, are becoming more important to the consumer. The current "super-car boom" in Japan is the increasing attraction, particularly among younger people, of sports cars.

Foreign autos, because they are different and because they retain a certain amount of "snob appeal' 'are favoured by these trends. Standard, sports and luxury car imports all can have a very bright future.

Over two years ago, Mitsui recognised this potential. Mitsui approached British Leyland on the prospect of a major marketing effort in Japan. The result, reported in last February's MTN, was the establishment of Leyland Japan Limited, a joint venture of British Leyland and Mitsui and Co. Mitsui has a 65 per cent share in the company; Leyland has 35 per cent. The venture represents a clear commitment of both Mitsui and Leyland to furthering international trade and contributing to a reduction of the Japan-UK trade imbalance.

This approach to the Japanese foreign car market is an innovation with two big advantages. The foreign manufacturer is directly involved in the marketing effort; the organisation functions like a manufacturer's branch. Japanese market conditions will thus be considered before the product reaches Japan, something all too rarely done. Second, Mitsui's long experience in the Japanese market and international trade provide the organisation and expertise needed for success.

Leyland Japan started marketing last December. Pure sports cars, such as the Triumph TR7 and the MG, will be emphasised at first. Gradually, the Jaguar and the new Rover 3500 will become major parts of the Leyland Japan line.

As expected, there have been no tremendous sales results so far. First, Leyland Japan must become firmly established and win confidence in the Japanese automobile market. Leyland Japan President Hiroshi Toba has found that pollution and safety standards present no major problems for Leyland cars. The problem for President Toba, indeed the real barrier to entry of foreign autos into Japan, is that the Japanese consumer is a tough customer.

The Japanese customer demands high quality and good after-service. Imported autos have sometimes lacked both. The little dent or misalignment of the trunkhood which does not really bother the customer in Los Angeles or Liverpool is enough to turn away the customer in Osaka. The Japanese consumer thinks that a product is either perfect or it i not. If it is not, no sale.

Leyland Japan is taking firm action t satisfy these demands. A predeliver inspection facility has been constructe in Yokohama. Here cars will be prepare to meet auto standards and perfected fo the consumer. Next door will be a computerised parts depot capable of delivering parts to anywhere in Japan within 48 hours. Leyland Japan has also provided service training for the TR7, inviting selected Japanese mechanics to participate in a special course held by technicians dispatched from British Leyland. Similar training courses will be held for the other Leyland models.

Leyland Japan has had a good response from both dealers and the public. At the Tokyo motor show held last November, Leyland cars were extremely popular.

Leyland Japan looks upon the sale of a car as the start of a commitment to the customer. President Toba is confident that with the marketing efforts of all concerned and this policy of comprehensive after sales service, sales of Leyland cars will expand steadily.

The Japanese may be tough customers, but, when the right approach is used, they can be good ones too.

Courtesy—Mitsui Trade News

Attention Subscribers

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Manager

MOVING FINGER

Mrs Gandhi's press conference on March 1, on the lawns of her party office, was a timely reminder that the bad old days are here again. Despite the determination of some of the journalists present to be aggressive and even overtly hostile, the underlying current was one of reluctant admiration for a politician always accustomed to fight for what she wants and now fighting back as only she knows how. Mr Morarji Desai also never gives up, but he seems to believe somehow that God and time are on his side. Mrs Gandhi's style is quite different and right now she knows that she is racing against time and she does not seem to care who else knows it too. No wonder her particular brand of "never say die" is once again succeeding in exacting the belief that she is something of an elemental force in our politics.

Throughout a slight but steady drizzle, she sat in the open answering questions flung at her in quick succession, totally unmindful of the rain which was certainly not adding to the attractions of a wintry evening. The journalists, whatever the personal preference of some of them might have been, had no alternative to sticking it out too. However, impervious though to physical discomfort Mrs Gandhi was, she was clearly touched to the quick once her ego was scratched. For instance, she reacted angrily whenever the phrase "Congress reunification" was used. Whether Mrs Indira Gandhi still believes that Indira is India or she does not, she is not going to let anyone forget that for her and—as it appears—for lots and lots of people, the Congress still is where she is.

Inevitably the trumph of her party in the Karnataka and Andhra Pradesh assembly elections and the good showing made by it in Maharashtra provided the thrust for many of the questions addressed to her. There was great interest, for instance, in her plans for utilizing the toe-hold her party had gained in national politics, especially as Mrs Gandhi had declared herself to be the only national opposition to the Janata party or its government at the centre. Mrs Gandhi went on reiterating her earlier declaration that she had no plans for getting elected to parliament as she felt that she would be more useful to the people by remaining, as she put it, with them. She however hinted that she was confident of winning a by-election to the Lok Sabha, even from one of the north Indian states, if she thought it worth her while to enter the contest. Thus, as of the moment, at any rate, she seems to favour, both as tactics and strategy, the role of a political wind that may blow where it pleases so long as it scatters or sweeps away the power of the persons who have dared to challenge her primacy in the Congress in the name of collective leadership or inner party democracy.

Although the Reddy Congress is supposed to be battling for the principle of collective leadership, Mr Y.B. Chavan and the rest have been only too willing to let Mr Brahmananda Reddy take the rap for the poor showing of the party in Karnataka and Andhra Pradesh. In contrast, the Janata party, which has certainly not given much evidence of collective leadership or collective responsibility in its normal functioning, has quickly stifled talk in its midst that Mr Chandra Shekhar should pay for its discomfiture in the assembly elections by resigning his party presidentship on the analogy of Mr Brahmananda Reddy's act of atonement.

Quite a number of leading Janata politicians has been heard saying that the party president should not be blamed for what was truly a failure of the party as a whole to sell its image in the south. This may not be because these people love the Janata party less and its president more. The truth is that once Janata politicians start sharpening their knives, massacre is bound to be done and there is no telling how many heads will roll or whose. The Janata party is now being described as a conglomerate even by those Janata men who last year took umbrage at Mrs Gandhi describing their party as *kichiri*. Actually, the Janata party is neither *kichiri* nor a conglomerate; it is more of a mess. *Kichiri*, let us bear in mind, is a well-cooked dish and a conglomerate a beautifully orchestrated organism.

It must be conceded, however, that Mr Swaran Singh's smooth reappearance as the president of what must now be called the Swaran Singh Congress is no proof that this party is an ideal of domestic harmony. The job went to him simply because nobody including himself, really wanted to have anything to do with it. Mr Chavan's current preoccupation must be different; he should be wondering how long he might continue to enjoy the perquisites of the leader of the official opposition in the Lok Sabha. Mr K.C. Pant and Mr Karan Singh, the young hopefuls of their party, are probably at their wit's end now, trying to figure out where or in whom exactly they should place their hopes.

Meanwhile, on Mr Vasantrao Patil, who is heading the Congress coalition ministry in Bombay, depends how long the Indira Congress could be delayed in its efforts to liquidate the Swaran Singh Congress. Mr N.K. Tirpude, deputy chief minister, with whom Mr Patil has to share the power and the glory in the new government, appears to be a hard nut to crack. He seems to have received a clear directive from Mrs Gandhi to use the opportunities of the coalition government to strengthen her Congress at the cost of the other Congress. Mr Patil has always to be fighting this encroachment if his party is to survive in the politics of the country. The only thing in his favour is that, like most seasoned politicians, Mr Patil is no innocent when it comes to in-fighting.

VB

TRADE WINDS

Interest Rates Changed

THE RATIONALE underlying the changes in interest rates announced on February 28, 1978, was explained by the governor, Dr I.G. Patel, at a meeting he had with the chief executives of major commercial banks in Bombay recently. After some discussion the governor indicated that he expected the banks to reduce the lending rates broadly in the following ranges: (a) For banks with deposit liabilities in excess of Rs 25 crores, all rates of 16½ per cent and above to be brought down to 15 per cent. For banks with deposit liabilities less than Rs 25 crores, similar adjustment of the higher rates to 16 per cent; (b) For existing rates between 13½ and 15 per cent, reduction should work out on an average to one per cent, with reductions in the upper ranges being more than the average; (c) Existing rates of interest over 12½ per cent and upto 13½ per cent should be brought down close to 12½ per cent; and if reductions implying going to rates marginally below 12½ per cent (i.e. minimum lending rate), banks may do so and inform the Reserve Bank accordingly.

(d) For the existing rates of 12½ per cent and below, some reduction should be effected, (e) The existing rates charged under the Differential Rates of Interest Scheme remain unchanged; (f) The concessional term lending rates for small-scale industry, agriculture, etc., and for crop loans below Rs 2,500 announced on December 12, 1977 will remain unchanged; (g) The minimum lending rates of 14 to 15 per cent in respect of advances against commodities subject to selective credit control remain the same as at present; such advances are also subject to the new ceiling rates.

Pre-shipment Credit

The rates of pre-shipment credit should be reduced by ½ per cent, i.e. from 11½ and 13½ per cent to 11 and 13 per eent respectively and the rate on post-shipment credit, from 11½ per cent to 11 per cent. The rates on deferred payment exports continue unchanged at eight per cent. The rate of interest on food credit is reduced from 12 per cent to 11 per cent. As regards the rates on the refinance facilities by the Reserve Bank, the food refinance rate has been reduced from 10 to nine per cent. The export refinance rate is also reduced from 10½ per cent to 10 per cent.

As regards deposit rates, the governor informed the bankers that the revised rates of interest will be applicable with effect from March 1, 1978, in respect of savings and fixed deposits accepted/renewed as from that date, as well as in respect of recurring deposits, cumulative deposits, etc. Term deposits made prior to March 1, 1978, he said, should continue to earn interest at the contracted rate for the remaining part of the maturity period. The Reserve Bank, in consultation with the Indian Banks' Association, has decided that, in respect of savings deposit, accounts, the cheque facilities should be limited to 50 per half year.

Exchange for Business Travel

The Reserve Bank has decided to increase the release of foreign exchange for business travel abroad from US $80 to $85 (base rate) per day to senior businessmen and from US $60 to US $65 (base rate) per day to junior businessmen. Simultaneously, the additional special allowance admissible for certain regions/countries has also been revised. The new all-inclusive scales for western hemisphere and certain countries in middle east for senior businessmen has been raised from US $96 to US $100 per day. For junior businessmen it has been raised from US $72 to $75 per day. For United Kingdom, Europe, Iran and Japan, the rates for senior businessmen it has been raised from US $88 to $95 per day. For junior businessmen it has been raised from US $66 to $70 per day. Bahrain has now been included in the former group and Libya in the latter.

The Reserve Bank has also decided to release exchange for visits to Saudi Abrabia and Nigeria (where the cost of living is exceptionally high and shortage of accommodation is very acute) at a special rate of US $120 per day to senior businessmen and US $90 per day to junior businessmen.

Exchange release for enterainment purposes has been raised from US $300 to US $500 for senior businessmen and from US $150 to US $250 to junior businessmen. Exchange up to US $250 for the same purpose will also be available to travelling salesm proceeding abroad for expo promotion. The revised p diem scales for business visi and the quantum of exchan release for entertainment e penses will be made availab to blanket permit holde under the Reserve Bank scheme, as well as expo houses holding blanket pe mits under the ITC scheme.

State Budgets

Haryana

Haryana Finance ministe presented on March 3, 1978, a Rs 28.64 crore deficit budge for 1978-79. He has impose fresh taxes to net in Rs 5.0 crores but has allowed con cession which will cost th exchequer Rs 1.55 crore. H has left an uncovered gap [illegible] Rs 25.17 crores. The ministe revealed that he deficit would be bridged by substantia central assistance. He, however, did not rule out imposition of fresh taxes later in the year. The estimated total revenue receipts at Rs 331.92 crores and expenditure a Rs 278.20 crores leaving a ne surplus of Rs 53.72 crores Referring to the fiscal measures undertaken during the current financial year, the minister said that the government was likely to improve its financial position in the revised estimates by a margin of Rs 25.01 crores despite higher plan expenditure of Rs 20.84 crores over budget estimates.

The new taxes proposed include increase in road tax on public carriers including motor cycle, scooters, cars and jeeps to net in Rs 28 lakhs. Rate of passenger tax has been increased by 10 per cent to yield Rs 1.80 crores during the year. Sales tax on foreign liquor and Indian made foreign liquor has been increased from 10 to 20 per cent nd 'still' head duty on country liquor from Rs 8 per proof litre to Rs 9 per proof litre. This measure would fetch Rs 1.70 crore.

The Khadi and Village Industries Board with a turnover of more than Rs 75,000 had been placed under the purview of the Sales Tax Act with the view to fetch in Rs 24 lakh per year. Water rate would be increased by 10 per cent to account for additional revenue of Rs 1 crore to the state exchequer. The only concession announced by the Finance minister was a decrease in the rate of surcharge on sales tax from 15 per cent to 5 per cent. This will result in a revenue loss of Rs 1.55 crore.

Orissa

No additional resource mobilisation is proposed in the 1978-79 Orissa budget presented to the state assembly on March 3, 1978, although it envisaged a deficit of Rs 12 crores. The state Finance minister expected to cover the deficit by profits of central undertakings, expected collection of Rs 1.50 crores each from central government for implementation of fifth Plan and UGS scales of pay for teachers of affiliated colleges and implementation of centrally sponsored schemes and Rs 1 crores towards cost of power supplies from the Balimela project. To meet the deficit of Rs 34.78 crores, equivalent to the opening deficit of the year, the state has sought special accommodation from the central government.

The budget discloses a revenue surplus of about Rs 33.49 crores, receipts and expenditure being estimated at Rs 412.28 crores and Rs 398.79 crores respectively. The transactions outside revenue account, however, disclosed a deficit of Rs 39.73 crores, receipts and expenditure being estimated at Rs 267.60 crores and Rs 307.33 crores respectively.

The capital account disclosed a surplus of Rs 14.23 crores, receipts and expenditure being estimated at Rs 290.69 crores and Rs 276.46 crores respectively. With an estimated balanced transactions in the contingency fund, the net transactions in the year is expected to result in a deficit of Rs 12 crores. The budget which opens with a deficit of about Rs 34.78 crores is expected to close with a deficit of Rs 46.78 crores.

Hungarian Delegation

A Hungarian delegation headed by Dr Zsigmond Bakos, Secretary of State, ministry of Light Industry arrived in New Delhi on March 4, 1978 for a 11 day visit to India in order to identify new possibilities of tie up. During his stay in Delhi, Dr Zsigmond held discussions with Mr V. Krishnamurthy, Secretary, Department of Heavy Industry and Dr S.C. Bhattacharjee, Chairman of the State Trading Corporation.

The primary object of the visit of this delegation to India is to hold talks on long-term cooperation between India and Hungary in the field of leather, textile and paper industries, with special regard to the forthcoming meeting of the Indo-Hungarian Joint Commission for Scientific and Technical Cooperation, scheduled to be held in Budapest in June this year.

The two countries have signed a new long from trade agreement on December 15, 1977, vaild for three years, when Dr Jozsef Biro, the Hungarian Foreign Trade minister visited India. Under this India and Hungary have now switched over from rupee to free covertible currency in their trade.

India has been playing an important role in Hungary's foreign trade. Exports to Hungary since 1960 have increased seven-fold. Indian imports from Hungary have also grown nearly six-fold. In the field of light industry Hungary has purchased goods worth about $ 5 million from India during 1977 and considerable increase of turnover is expected in the current year.

UP Electronics Corp.

UP Electronics Corporation has turned the corner. At the end of 1976-77 its losses stood at Rs 12.65 lakhs. The corporation, a state government undertaking, expects to wipe off a major part of this loss

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Directorate of Purchase and Stores

Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below :

1. DPS/BARC/ENG/11063 DUE ON 17.3.78 : High Pressure Hydraulic Cylinders as per drawing and Tender Specifications.—1 Set.
2. DPS/NFC/LAB/147 DUE ON 18.3.78 : High purity high density alumina bases (slabs) as per the following dimensions : Length : 265±2.5 mm. Width: 157+. $\frac{0.0}{2.0}$ mm. Thickness*: 26±1.0 mm. Qty : 1000 nos.
   * For withstanding a temperature of 1800°C on continuous basis. Material of grade of Cumilox 201 HF of M/s. Carborundum Universal or equivalent.
3. DPS/BARC/GEN/10442 DUE ON 20.3.78 : Gumboots—2300 Pairs.
4. DPS/BARC/GEN/10443 DUE ON 21.3.78 : Raincoats with hoods—900 Nos. (Khaki); 1200 Nos. (Black).
5. DPS/BARC/GEN/10444 DUE on 22.3.78: Tarpaulins—14000 Sq. Mts.
6. DPS/BARC/ENG/11018 DUE ON 17.3.78: Fabrication and supply of Eliminator box made of G.I. Sheets as per drawing and tender specifications—36 Nos.
7. DPS/PPED/ENG/1315 DUE ON 21.3.78 : Hard Chrome Plating, Baking, Testing, Packing and Despatch of Bearing Sleeve and Journal Rings, as per drawing and tender specifications. Qty. 1950 Nos.
8. DPS/NAPP/PPED/EIE/22 : DUE ON 20.3.78 : Manufacture, inspection, testing, delivery and guarantee of Indicating Lamp assemblies as per purchaser's specification and drawing. Qty : 6930 Nos.
9. DPS : BARC: R-5 : CAP : 79 DUE ON 16.3.78 : Plasma arc cutting torch; capacity to cut, 30 mm s.s. plates with a TIG welding outfit, having current capacity approx. 400 amps. complete with power source, plasma cutting torch, TIG welding torch, remote control regulator, as per Purchaser's Specification—1 Set.
10. DPS/NAPP : PPED/PPF/86 DUE ON 27.3.78 : Supply of Seamless Butt Weld Ends and Forged Carbon Steel Fittings as per Purchaser's tender specification.
11. DPS/BARC/PPF/3266 DUE ON 29.3.78 : Supply of Bronze/Gun Metal Globe and Gate Valves as per Purchasers' tender specifications.
12. DPS/BARC/ENG/11106 DUE ON 16.3.78 : Fabrication and supply of Rigid Straight Copper Tubes, as per drawing and tender specifications—1000 Nos.
13. DPS/BARC : R-5/PPF/235 DUE ON 22.3.78: Supply of Stainless Steel diaphragm globe valves with spares for heavy water & Helium System as per purchaser's tender specifications.
14. DPS/NAPP : PPED/PPF/87 DUE ON 28.3.78: Supply of Seamless Butt Weld ends Carbon Steel Elbows, Tees and Reducers as per purchaser's tender specifications.
15. DPS/NAPP/PPED/PPF/85 DUE ON 23.3.78 : Supply of Water type Butterfly Valves in different sizes as per Purchaser's tender specifications—76 Nos.

Tender documents priced Rs. 10/- each for items 1 to 5, Rs. 20/- for item 6; Rs. 25/- each for items 7 to 12; Rs. 40/- for item 13, Rs. 50/- for item 14, Rs. 75/- for item 15 and General Conditions of contracts priced Re. 0—50p can be had from the Finance and Accounts Officer, Department of Atomic Energy, Directorate of Purchase and Stores, 3rd Floor, Mohatta Building, Palton Road, Bombay-400001 between 10 a.m. to 1 p.m. on all working days except on Saturdays for all items except item 9 for which tender forms available upto 10.3.78. Import Licence will be provided only if the items are not available indigenously for all items except 2,8. Tenders will be received upto 3 p.m. on the due dates shown above and will be opened at 4 p.m. the same day. The right is reserved to accept or reject lowest or any tenders in part or full without assigning any reasons.

davp 645(326/77.

if not the entire amount at the end of 1977-78. The production of TV sets has picked up at its Allahabad factory and in addition to the assembling of EC TV sets, UPEC has now taken up the manufacture of UPTRON TV set also. The entire profit is being ploughed back for expansion and product diversification without making a draft on the state financial resources. UPTRON, a product of the corporation's own R and D efforts, is directly marketed by UPEC itself and is priced at Rs 1,600 per set. The market response is encouraging. The corporation has taken up another solid state 20 inch TV set in lower price range. The corporation feels that the design will be a breakthrough in the TV technology. The new set is expected in the market at Kanpur, Lucknow, Delhi and Bombay by May, 1978.

Copper Output and Consumption

The domestic off-take of copper has been continuing to be at a low ebb mainly due to substitution by other materials, notably aluminium. No increased restrictions have been imposed by the government on consumption of copper. The indigenous production of copper is now meeting approximately 42 per cent of domestic demend. For wide application of copper in the interest of appreciable growth of consuming industries, certain steps have been taken by the government. The procedure for obtaining copper by actual users has been liberalised and adequate availability has been ensured. Copper at a reduced price is made available to manufacturers of electric motors, transformers and generators of certain specifications through concessions in the excise and import duties. The figures of production and import of copper during the last five years and during the current year are given below:

(Unit : Tonnes)

Year	Consumption	Production	Import
1972-73	57,215	8,651	54,456
1973-74	59,272	8,818	52,622
1974-75	37,798	9,851	41,766
1975-76	47,459	18,648	14,810
1976-77	54,662	22,424	40,617
1977-78 (E)	55,000	23,200	25,000

E—Estimated

Mini-steel Plants

The total investment in mini-steel plants is reported to be of the order of Rs 250-Rs 300 crores. Out of a total of 206 units licensed, only 124 units have so far been set up and out of these 124 units, only 93 units were operating during December, 1977. However, subsequent steps taken to improve the viability of the mini-steel plants has helped in improving their performance. As against 84 units reporting production in January, 1977, 93 units reported production in December, 1977. The total production in December, 1977 was 1,00,955 tonnes of ingots against the production of 86,934 tonnes of ingots in January, 1977.

Some important steps have been taken to rehabilitate the mini-steel industry : (i) Excise duty on production of ingots/rolled products has been abolished; (ii) Import duty on melting scrap has been abolished; (iii) It has been decided to allow import of two lakh tonnes of ferrous melting scrap; (iv) Excise duty on certain categories of heavy melting scrap procured from the integrated steel plants has been abolished; (v) Mini-steel plants have been allowed to diversify into production of certain grades of alloy steels. Selective mini-steel plants may also be permitted to set up rolling facilities to improve their viability; (vi) Financial assistance may be considered on selective basis by the financial institutions; (vii) Imports of graphite electrodes have been allowed to meet the shortages of supply from indigenous sources; (viii) Supply of power is made on continuous and consistent basis to the extent feasible; and (ix) Government have allowed duty drawback on export of bars, rods and spring steel flats which will improve the viability of exports of these products.

Advances for Gur and Khandsari

The Reserve Bank has reduced the minimum margin for commercial bank advances for gur and khandsari from 60 per cent to 35 per cent for manufacturers and from 75 per cent to 45 per cent for others. The reduction in the margin is a sequel to the decline in the prices of gur and khandsari. The minimum margin for advances against warehouse receipts has been reduced from 55 per cent to 30 per cent.

Lathes for Russia

The Hindustan Machine Tools, Kalamassery, has bagged a huge export order for 20 drum turret lathes valued at about Rs 66 lakhs from the Soviet Union. The present order for drum turrets is possibly the biggest Russian order so far received by any HMT unit. Despatch of these machines will begin fro March, 1978. A Russian tea had earlier visited the facto in this connection in Ju 1976. Drum turret, a high sophisticated machine wi plugboard programming, being manufactured by HM in collaboration with Gild meister of West German during the last 10 years, now made almost 100 per cen indigenous.

Imports of Essential Commodities

The government has decide to maintain buffer stocks of 1 million tonnes of foodgrains A decision has also been taken

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The Calcutta Electric Supply Corporation Limited

(Incorporated in England)

NOTICE

Notice is hereby given that the Board of Directors of this Company at a meeting held on 27th February, 1978, has declared payment of an Interim Dividend on the Company's Ordinary Stock for the year ending 31st March, 1978, at the rate of 6¼% (Gross). Payment will be made on 8th May, 1978, after deduction of appropriate Indian Income Tax to those stockholders whose names are registered in the Company's Stock Register on 28th March, 1978.

Applications for transfers received in this office upto 28th March, 1978, will, if otherwise satisfactory, be registered at that date for the purpose of participation in the above Dividend. The registration of Transfers of Ordinary Stock in the Calcutta Register will remain suspended and the Register of Ordinary Stockholders in Calcutta will remain closed during the period from 29th March to 4th April, 1978, both days inclusive.

By Order of the Board
(S.K. Niyogi)
Secretary
Victoria House,
Calcutta-700 001.
27th February, 1978.

to build up a buffer stock of fertilizers to the extent of 20 per cent of annual requirements. The canalising agencies, such as the State Trading Corporation and the Minerals and Metals Trading Corporation also try to ensure adequate stocks of sensitive articles such as edible oils and non-ferrous metals, through imports, so as to ensure their smooth supplies to domestic users. Government has been liberally releasing foreign exchange for import of articles of mass consumption which are in short supply in the country with a view to ensuring their adequate availability.

Pelletisation Plant in Bastar

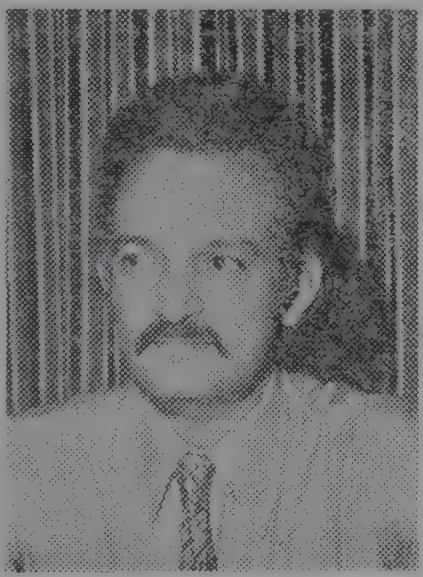
M/s Metallurgical and Engineering Consultants (India) Ltd, were appointed as Consultants for pelletisation project in November, 1976. The tenders received in October, 1977 for construction of the plant and subsequent clarifications received in January, 1978, are under detailed evaluation by the NMDC/MECON. Finalisation of the proposal to set-up a pelletisation plant based on the utilisation of iron ore fines from Bailadila in district Bastar would, however, depend upon a long-term tie-up being secured for sale of pellets and the availability of requisite financial resources within the overall priorities.

Names in the News

The Board of Directors of Glaxo Laboratories (India) Limited has announced the appointments of **Mr N.S.L. Narasimhan and Mr H. Dhanrajgir** as directors of the company with effect from March, 1, 1978. Mr Narasimhan joined the company in 1969. His academic qualifications and business experience cover materials management, marketing, accounting, corporate planning and management services. Until the present appointment Mr Narasimhan was manager, Management Services.

Mr N.S L. Narasimhan

Mr Dhanrajgir joined Glaxo in 1969. In 1970 he was special assistant to the managing director. His experience covers marketing, MBO and personnel. His responsibilities prior to this appointment as chief personnel manager (all-India) of the company have included personnel policy and management development. Mr Narasimhan assumes charge of the management services division. Mr Dhanrajgir will be responsible for the corporate personnel division.



Mr H. Dhanrajgir

Super Thermal Power Stations

Approval has been accorded to the following thermal power stations which are either of large size or capable of expansion into large size stations:

Station	Approved installed capacity (MW)	Ultimate capacity (MW)
Singrauli Super TPS	600	2000
Korba Super TPS	1100	2100
Ramagundam Super TPS	1100	2100
Neyveli—2nd mine cut	630	1260
Chandrapur (Maharashtra)	420	Developing the site to an ultimate capacity of 1300 MW has been envisaged at this site. The proposal for the 2nd stage expansion of 420 MW has been cleared by CEA and is to be processed through the Planning Commission for approval. The project proposals for the 3rd stage expansion is awaited from the state.

The government has received the following proposals from the states for establishment of thermal power stations where an ultimate capacity of 1000 MW and above is envisaged:

Station (state)	Capacity proposed in the initial stage (MW)	Ultimate capacity envisaged (MW)
Rupnagar (Punjab)	1000	1000
Anpara (UP)	630	1000 It can be expanded to an ultimate capacity of 2000 MW, if necessary.
Bishrampur (MP)	420	The site has a potential for an ultimate capacity of 1200/1400 MW.
Bhadrachalam (AP)	420	1000
Colgaon (Bihar)	—	3000
Tenughat (Bihar)	420	1500
Raichur (Karnataka)	420	1050
Ray (Bihar)	1000	3000

Among the above, the proposals of Anpara Thermal Power Station (630 MW) of UP and Paichur Thermal Power Station (420) of Karnataka have been cleared by the Central Electricity Authority and have to be processed through the Planning Commission for approval. Other proposals are in the various stages to techno-economic appraisal in the CEA.

COMPANY AFFAIRS

Mukerian Papers

MUKERIAN PAPERS—a company promoted by the Punjab State Industrial Development Corporation to set up a paper factory at Mukerian in Hoshiarpur district—proposes to enter the capital market on March 13 to raise Rs 63.70 lakhs from the public by way of 637,000 equity shares of Rs 10 each at par. The public offer is fully underwritten. The company's paper plant is expected to go into operation in August with an installed capacity of 9,000 tonnes of a variety of papers per annum. It has imported a second-hand paper plant from West Germany. The plant is expected to work on rice straw as the main raw material. The capital outlay on the project is Rs 380 lakhs which will be financed by share capital of Rs 130 lakhs, term loans of Rs 255 lakhs and central cash subsidy of Rs 15 lakhs. Equity shares worth Rs 33.80 lakhs have been taken by the Punjab State Industrial Development Corporation, Rs 25 lakhs by promoters and their friends and Rs 7.50 lakhs will be reserved for allotment to Mr Sukhinder Singh, managing director, after the close of the public issue.

Kerala Chemicals

Kerala Chemicals and Proteins is setting up a project at Kathikudam in Trichur district for the manufacture of ossein and dicalcium phosphate. The company's plant is designed to manufacture 2,210 tonnes of ossein and 4,250 tonnes of dicalcium phosphate per annum. Ossein, an intermediate product in the manufacture of gelatine, is a form of protein extracted from crushed bones. While gelatine has extensive use in the manufacture of photographic films and pharmaceutical capsules, dicalcium phosphate is used as an ingredient in poultry food, fertiliser, pharmaceutical preparations and toothpaste. The company proposes to issue for public subscription 671,993 equity shares of Rs 10 each at par. The project cost is estimated at Rs 3.20 crores which will be met by share capital of Rs 1.40 crores and term loans of Rs 1.80 crores. The main raw material for the project is animal bones which are in abundant supply in the country. The company's requirement of bones at full production is about 10,000 tonnes per annum. The export market for the company's products is mainly Japan and some advanced countries.

Hindustan General Industries

Hindustan General Industries has shown a marginal rise in turnover during the year ended June, 1977 to Rs 185.33 lakhs from Rs 182.13 lakhs. The gross profit has declined to Rs 6.05 lakhs from Rs 9.35 lakhs in the previous year. After providing Rs 2.18 lakhs (Rs 2.33 lakhs) for depreciation and Rs 2.61 lakhs (Rs 5.53 lakhs for taxation, the net profit works out at Rs 1.26 lakhs against Rs 1.49 lakhs. Equity dividend has been maintained at six per cent, which will absorb Rs 1.25 lakhs (same). The balance of Rs 951 (Rs 23,928) has been transferred to general reserve.

Bharat Earth Movers

Today over 5,000 railcoaches and 4,500 earthmoving equipment manufactured by Bharat Earth Movers Ltd (BEML) are operating all over the country. Starting with a turnover of about Rs 5 crores, the company has rapidly grown and during 1976-77, had reached a turnover of Rs 80 crores. Starting with assembly of practically fully imported equipment, the company has today reached 70 per cent to 80 per cent indigenisation level for its products.

BEML feels that in order to meet the customer requirements it has to increase its production, both in numbers and variety of equipment. In order to meet the increase in demand, the company envisages the setting up of seperate production facilities for its wheeled and crawler equipment and also for the production of transmission and axles and a captive steel foundry. The proposed expansion and establishment of new facilities will involve fairly large outlays which the company hopes to meet mainly from internal resources.

New products planned for introduction in market over the next ten years include the 1.6 and 3.5 cu. mtr. wheeled front end loaders, 32 and 55 ton bottom dumpers, 410 HP crawler tractors, rear dumpers of capacity upto 120 tons, heavy vehicles in different roles, pipe layers and higher capacity excavators/front end loaders.

BEML has recently entered the export market and has exported equipment worth nea Rs 10 crores over the l three years. This includes d patches to foreign countr and also supplies made wit the country to various proje against global IDA tende The company is continuing efforts to intensify export pr motion and anticipates ord for approximate Rs 6 cror this year. For export, the cor pany is concentrating in are where it can offer quick ar effective after-sales-service.

South East Footwear

South East Footwear, an e port-oriented Indo-Italian joi venture, is to enter th capital market on March 8 t raise Rs 22 lakhs in 220,00 equity shares of Rs 10 each a par. The public issue ,whic is fully underwritten, will finance partly the Rs 1.60-cror project to manufacture finishe leather and high fashio leather shoes for the sophisticated European and America markets. The technical collaboration is being provided b the renowned Italian firm, Calzat, and financial participation by Mihaila S.A., Switzerland, who will subscribe to equity shares worth Rs 8 lakhs. The Indian promoter, Mr A. Hafeezur Rahman and his friends have taken up equity shares worth Rs 20 lakhs. The project cost of Rs 1.60 lakhs is being financed by share capital of Rs 50 lakhs, term loans of Rs 95 lakhs and central cash subsidy of Rs 15 lakhs.

The company has set up a modern plant at Ambur, near Madras and trial production of shoe uppers and shoes has already started. It has received export orders for shoe uppers worth Rs 30 lakhs to be executed by May next. Shoe uppers worth Rs 9 lakhs have already been exported and another consignment worth Rs 8 lakhs is to be executed this month.

The chairman of the company, Mr A Hafeezur Rahman, feels that the company has been able to establish its excellence even in trial production of shoes which has been acclaimed by buyers from Australia, Italy, the UK, Malaysia, Russia and Yugoslavia. The company is likely to meet its export commitment of 75 per cent without any difficulty. It is likely to achieve its rated capacity of 4.32 lakh shoes by end 1979. Though the break-even point would be reached at 40 per cent level of production. The unit value realisation on shoes is expected to improve in a year's time from $15/$20 to $20/$25 per shoe. The import content on components which valuewise is around 35 per cent at present will be reduced appreciably in two years.

Killick Nixon

Killick Nixon has decided to sell its John Baker (Steel Files) division to James Warren and Co (India) Ltd, Calcutta, as a going concern for Rs 35 lakhs subject to certain adjustments based on accounts of the division for the year ended November, 1977. The sales is to be effective from December 1, 1977. Because of the recession in the engineering industry, adverse market conditions and severe power restrictions, the working of this division has been unsatisfactory during the past few years. The division has incurred substantial losses in the last two years ended November, 1976. Even the year ended November, 1977 has proved to be unsatisfactory.

The adverse working of some of the other divisions of the company and the very substantial amounts of arrears of wages which have become payable to the company's employees under settlements, has created an acute liquidity problem. The company's efforts to raise additional finance to alleviate this problem have not so far met with any success and this is having adverse repercussions on the company's business prospects. The board is therefore convinced that it is in the company's interest to dispose of this division as this will enable the company to raise the most urgently required additional finance.

Hathwa Vanaspati

Hathwa Vanaspati, which is setting up a vanaspati plant at Hathwa in Gopalganj district of Bihar with a capacity of 50 tonnes a day, proposes shortly to offer for public subscription 350,000 equity shares of Rs 10 each at par. Commercial production is expected to start by April, 1978. Capacity utilisation is expected to reach 90 per cent during the third year of its production. The cost of the project is estimated at Rs 1.56 crores which will be met by share capital of Rs 60 lakhs, state government subsidy of Rs 10 lakhs and term loans of Rs 86 lakhs. In addition to the share issue by the company of 350,000 equity shares of Rs 10 each, existing shareholders are also offering for public subscription 10,000 shares of Rs 10 each. The total present issue and offers of sales is thus for Rs 36 lakhs.

Housing Development Finance Corp.

Housing Development Finance Corporation, promoted by the Industrial Credit and Investment Corporation of India, proposes to issue shortly 399,874 equity shares of Rs 100 each at par. The company's main object is to provide institutional facilities for meeting the needs of the people for long-term loan finance on moderate terms for construction, purchase and ownership of residential houses in urban and rural areas all over the country. It will in general seek to facilitate ownership of apartments and houses. It will also seek to provide the needs of that section of the community which is not in a position to own housing but only rent it.

The company will also be willing, where appropriate, to consider development of housing estate on its own, which could provide mass dwellings for the low and middle income families. It may also provide funds for construction of offices, shipping centres, nursing homes and other amenities which go with housing schemes. It is also considering a variety of savings schemes to attract personal savings for housing needs of the people. Besides the share capital, the company proposes to raise funds through borrowings from banks and insurance companies.

IFC Loan

The company is exploring the possibility of obtaining a loan from International Finance Corporation, Washington and negotiations have already been initiated. Shareholders and other investors of the company will be given an interest concession of 1/2 per cent on the normal lending rate on such portion of the loan as may be provided for under the rules. They will also be given preference in the grant of loans for housing out of such portion of the available resources of the company as may be available.

The special benefits will be in force initially for five years from the date of issue of the prospectus, after that the company will be free to modify renew or change the available benefits. There is a tremendous demand for housing all over the country, particularly in the urban areas. The company will function as a development financial institution having in view the acute shortage of housing. The company hopes to make reasonable profits from its proposed operations and be able to pay a steady and reasonable dividend in due course of time.

Praga Tools Limited

Praga Tools Ltd, which started with an authorised capital of Rs 1 crore and paid up capital of Rs 25 lakhs has enlarged its capital base to an authorised capital of Rs 7 crores and a paid up capital of Rs 6.45 crores as on March 31, 1977. (The present shareholding of the company is, government of India—89.77 per cent, govt of Andhra Pradesh—7.38 per cent and public—2.85 per cent). The capital employed now is about Rs 7.13 crores.

Praga Tools has collaboration with the world-famous manufacturers such as Jones & Shipman of the UK, Gambin of France, Pratt Burnerd of the UK, Escofiers of France and George Fischer of Switzerland. The collaborations have resulted in Praga producing high quality machine tools conforming to international standards.

The company's production which was at Rs 330 lakhs in the year 1973-74 rose to Rs 596 lakhs in 1976-77 registering an increase of 81 per cent and the sales from Rs 305 lakhs in the year 1973-74 to Rs 601 lakhs in the year 1976-77 registering an increase of nearly 97 per cent. This increase is in spite of the act that the prices of some of he products have fallen down onsiderably. For the current ear the company has set a pro-luction target of Rs 666 lakhs.

The company which had uffered losses due to various actors in the past, made a reakthrough in the year 975-76 when it made a profit f Rs 11.92 lakhs. The operational results of the company were further improved in 1976-77 registering a net profit of Rs 47.48 lakhs. While the company suffered greatly in the earlier years due to recession in demand for machine tools and stagnation in capital investment, the company now presents a bright future, with ambitious plans to diversify its production line into industrial forgings and low value but high volume engineering consumer products, which will support the industry through all stages of business cycle.

On the export front, though Praga suffered a setback in the earlier years due to restrictions imposed in various collaboration agreements, the company has started making a dent in the international market, because of the acceptable quality of the products at a low price. The exports which stood at Rs 1.88 lakhs in the year 1975-76 rose to Rs 7.24 lakhs in the year 1976-77 and in the current financial year, the company expects to reach a target of over Rs 20 lakhs.

Capital and Bonus Issues

Consent has been granted to 15 companies to raise capital. The details are as follows:

Hein Lehmann (India) Limited, has been granted consent valid for six months to capitalise Rs 18 lakhs out of its general reserve and issue fully-paid equity share of Rs 10 each as bonus shares in the ratio of 12 bonus shares to 25 shares held.

Atic Industries Limited, Atul; has been granted consent valid for six months to capitalise Rs 2 crores out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for two shares held.

Pressure Cookers and Appliances Limited, Bombay; consent valid for six months to capitalise Rs 24 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shars for every five shares held.

Kishan Prasad and Co. Ltd.; consent valid for six months to capitalise Rs 250,000 out of its general reserve and issue fully paid equity shares of Rs 250 each as bonus shares in the ratio of one bonus share for each equity share held.

The Supreme Industries Limited, Bombay; consent valied for six months to capitalise Rs 1,342,600 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three shares for every five shares held.

International Combustion (India) Limited, a public company having a paid-up capital of Rs 4,183,230 has been accorded consent for the issue of further capital of Rs 257,900 in 25,790 equity shares of Rs 10 each as right shares to the existing Indian shareholders at a premium of Rs 3 per share. The object of the issue is to bring down the foreign equity holding in the share capital of the company. The consent order is valid up to April 26.

Bakelite Hylam Limited, Hyderabad, has been granted consent valid for 18 months to issue 7,520 cumulative redeemable preference shares of Rs 50 each carrying dividend at the rate of 9½ per cent per annum (free of company's tax but subject to deduction of tax at source at the prescribed rate) to Bxl Plastics Materials Groups Limited, London in lieu of 7,520 9½ per cent irredeemable cumulative preference shares which stand cancelled under a court order.

Wintex Minn Ltd., Surat, a public limited company registered in the state of Gujarat and having a paid-up equity capital of Rs 725,000 have been granted consent, valid for a period of 18 months for issue of equity shares worth Rs 1,775,000 as rights shares, for cash at par. The proceeds of the issue are to be utilised to meet a part of the cost of the project at Pandesera, Surat.

South East Asia Shipping Company Ltd., Bombay, has been refused consent for the issue of bonus shares worth Rs 5,460,000.

Housing Development finance Corporation Ltd, Bombay, a public company, has been accorded consent to issue equity capital of Rs 10 crores (inclusive of the cupital already raised) in 10 lakh equity shares of Rs 100 eaeh, for cash at par.

Out of this, shares worth Rs 100 lakhs will be offered to the International Finance Corporation, Washington, and Rs 399,87,400 to the public. The consent order is valid for 18 months.

The Dimakusi Tea Company Limited, Calcutta, has bee allowed to issue equity shar of Rs 1,955,700 to the shar holders of Bhooteachang Te Company Limited and c Nagri Farm Tea Compan Ltd in terms of and in accordance with the scheme of merger of these companies as approved by the Calcutta Hig Court in their order date June 9, 1977.

The General Industria Society Limited, Calcutta, ha been accorded consent, vali for 18 months, to the issue o Rs 1,819,000—11 per cen cumulative redeemable preference shares to the existing equity shareholders on rights basis.

Mingoa Private Limited, has been accorded consent valid up to April 30, 1978, to capitalise Rs 8,850 lakhs out of its general reserve and issue fully paid equity shares of Rs 500 each as bonus shares in the ratio of three for two.

Hindustan Brown Boveri Limited, has been given permission, valid for six months, to capitalise Rs 1 crores out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one for three.

Sen and Mettenheimer Pvt Limited, Ahmedabad, has been accorded consent, valid for six months, to capitalise Rs 2 lakhs out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of two for five.

The Vulcan Engineer Pvt. Ltd, Bombay, has been accorded consent, valid for six months, to capitalise Rs 2 lakhs out of its general reserve and issue fully aid equity shares of Rs 100 each as bonus shares in the ratio of one for one.

Licences and Letters of Intent

THE FOLLOWING licences and letters of intent were issued under he Industrial (Development and Regulation) Act 1951 during he month of November 1977. The list contains the names and addresses of the licensees, articles of manufacture, type of icences—New Undertaking (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Sirhind Steel Rolling Mills. Odhav Village, Ahmedabad (Gujarat), (Ahmedabad-Gujarat)—Bars and Rods—20,000 tonnes, Light/Medium structurals and other sections—18,000 tonnes—(COB)

Mr Avtar Krishna, Cassias, Flat No 7, 21-22 Turner Road, Bande, Bombay-400050, (Bangalore-Karnataka)—Fittings—1600 tonnes—(NU)

M/s Palghar Rolling Mills Pvt Ltd, 116, Mittal Chamber, Nariman Point, Bombay-400021, (Thana-Maharashtra)—Hot Rolled Strips—15,000 tonnes—(COB)

Metallurgical Industries (Non-Ferrous)

M/s Electrical Manufacturing Co Ltd, EMC Gardens, 136, Jessore Road, Calcutta-700055, (Calcutta-West Bengal)—Aluminium Alloy Tubes—600 tonnes—(NA)

M/s Hooseini Metal Rolling Mill Pvt Ltd, 66/68, Narayan Dhuru Street, Bombay-400003, (Bombay-Maharashtra)—Zinc Sheets—2,385 tonnes (Additional)—2,400 tonnes including Zinc Callots (After expansion), Zinc Sheets for photo engraving—165 tonnes, Lead Pipes—300 tonnes—(NA/SE)

Electrical Equipment

M/s NGEF Ltd, PB No 3876, Bangalore-560038, (Bangalore-Karnataka)—11 KV Circuit Breakers—1170 Nos—(NA)

M/s Bharat Lindner Pvt Ltd, C-2/19, Indl Area, Gorwa, Baroda, (Baroda-Gujarat) – Fuses—6,93,000 Nos, Screw caps—2,18,000 Nos. TP Bases—59,000 Nos, SP Bases—92,000 Nos, Adaptors and other accessories—3,27,000 Nos—(COB)

M/s English Electric Co of India Ltd, D-3, Gillander House, 8, Netaji Subhas Rd, Calcutta-1, (Chingleput-TN)—TF 2015 AM/FM Signal Generators—125 Nos, TF 2171 Digital Synchroniser—80 Nos, TF 2006 FM Signal Generators—15 Nos, TF 2006/1 FM Signal Generators—15 Nos, TF 2361 Sweep Generators—45 Nos, TF 2333 MF Transmission Measuring Set—30 Nos, OA 2090B (White noise test set)—30 Nos, TF 2330A Wave Analyser—10 Nos, TF 2330B FM/AM Modulation Meter—75 Nos, Circuit Magnification Meter 1245—50 Nos, TF 144 AM Signal Generator—60 Nos, FM/AM Signal Generator TF 995—90 Nos – (NA)

M/s Punjab Digital Industrial Systems Ltd, C-30, Industrial Focal Point, Phase II, SAS Nagar Electronics Town, Mohali, Punjab, (Mohali-Punjab)—Digital Power Meter—500 Nos, Digital Line Voltage Meter—500 Nos, Digital Phase Meter—500 Nos, Digital Low Frequency Meter—500 Nos, Digital HF Counter—500 Nos, Digital Temp/Pressure/Indicator/Recorder—500 Nos—(NU)

M/s Bharat Electronics Ltd, "Trade Centre", 29, Race Course Rd, Bangalore-560001, (Pune-Maharashtra)—Image Intensifier Tubes and Image Converter Tubes 1,500 Nos—(NU)

M/s Bharat Bijlee Ltd, Electric Mansion, 6th Floor, Appasaheb Marathe Marg, Post Box No 19153, Prabhadevi, Bombay-400025, (Thana-Maharashtra)—Power/Special purpose Transformers upto and including 220 KV with or without on Load Tap Changers—1,200 MVA—(SE)

M/s Aluminium Industries Ltd, No 1, Ceramic Factory Road, Kundara (Kerala), (Alleppey-Kerala)—220 KV Circuit Breakers 30 Nos—(NA)

M/s Hindustan Brown Boveri Ltd, Brown Bovery House, 264-265, Dr A.B. Road, Bombay-400025, (Bombay-Maharashtra)—Measurand Convertors of various types—2600 Nos—(NA)

M/s Bharat Electronics Ltd, Trade Centre, 29, Race Course Road, Bangalore-560001, (Bangalore-Karnataka)—High speed paper tape punch—100 Nos, High speed paper tape reader—100 Nos, Visual Display system—100 Nos, Input/output writer—100 Nos, Digital Cassette Drive—100 Nos, Card Reader—100 Nos, Mosaic Printer—3000 Nos, Magnetic Tape Handler—100 Nos, Line Printer—100 Nos, Key to Cassette—100 Nos, Floppy disc drive—100 Nos—(NA)

M/s Larsen & Toubro Ltd, L & T House, Narottam Morarji Marg, Ballard Estate, Bombay-400038, (Bombay-Maharashtra)—Air Circuit Breakers above 600 amps, 500 Volts with breaking capacity upto 100 KA—From 600 Nos to 2400 Nos (after expansion)—(SE)

M/s Aluminium Industries Ltd, No 1, Ceramic Factory Rd, Kundara (Kerala), (Alleppy-Kerala)—Minimum Oil and SF 6 type Circuit Breakers above 66 KV and upto and including 132 KV—30 Nos, Current transformers above 66 KV upto and including 132 KV—180 Nos—(NA)

Transportation

M/s Jay Engg Works Ltd, 23, Kasturba Gandhi Marg, New Delhi-110001, (Hyderabad-AP)—Single Cylinder Pumps—3,00,000 Nos, Multi-cylinder Pumps—75,000 Nos, Elements—18,00,000 Nos, Delivery valves—15,00,000 Nos, Nozzles—20,00,000 Nos, Nozzle Holders—5,00,000 Nos—(NA)

Industrial Machinery

M/s Tata Engg and Locomotive Co Ltd, Bombay House, 24, Homi Modi Street, Fort, Bombay-400023, (Pune-Maharashtra)—Spot Welding Guns—10 Nos, Hoists (250 kgs)—600 Nos—(NA)

Machine Tools

M/s Industrial Electrodes and Gauges Ltd, 15, Ganesh

Chandra Avenue, Post Box 853, Calcutta-700001, (Lucknow-UP) —Gas Welding and Cutting Sets—1500 sets—(COB)

Office & Household Equipment

M/s Lebocey Needle Industries, 412, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi-110001, (Ludhiana-Punjab) —Hosiery Needles, Sinkers and Jacks—24,000,000 Nos—(NU)

Chemicals other than Fertilisers

M/s Synthetics & Chemicals Ltd, 7, Jamshedji Tata Rd, Bombay-400020, (Bareilly-UP)—Butadiene Catalyst—60 Tonnes. —(NA)

M/s Agromore Ltd, Mysore Road, Bangalore-560026, (Bangalore-Karnataka)—Diuron Technical—200 tonnes—(NA)

M/s Noble Paint and Varnish Co Pvt Ltd, Fergusson Road, Lower Parel, Bombay-400013, (Thana-Maharashtra)—Synthetic resins (Alkyd, modified Phenolic Resins, medified Malic Resins, Urea Formaldehyde (Butylated), Melamine Formaldehyde (Butylated), Fumaric Resins, Polymide Resins, Water Thinnable U.F.. Resins and water Thinnable M.F. Resins—120 tonnes (existing)—600 tonnes (after expansion)—(SE)

M/s Paushak Ltd, Alembic Road, Baroda-390003, (Panchmahal-Gujarat)—Phosgene-1600 tonnes for captive consumption only—(NA)

M/s Bharat Alums & Chemicals Ltd, MCD Bldg, Deshbandhu Gupta Road, New Delhi-110055, (Alwar-Rajasthan)—(a) Sulphuric Acid, (b) Oleum 20-30 per cent, (c) Oleum 65-70 per cent—16,500 tonnes (Production of Oleum 20-30 per cent and Oleum 65-70 per cent is restricted to a capacity of 3600 tonnes each). 2. Alumina Ferric—16,500 tonnes. 3. Alumina Ferric (Free)—600 tonnes—(NU)

M/s Hindustan Mineral Products Co Pvt Ltd, 111, Industrial Area, Sion, Bombay-400022, (Broach-Gujarat) — Methyl-2 Benzimidazole Carbamate—400 tonnes—(NU)

M/s Allied Gases Ltd, 317, More Bldg., Dr Shyama Prasad Mukherji Road, Belgaum (Karnataka)—Dharwar-Karnataka)—Dissolved Acetylene Gas—0.20 MCM—(NA)

M/s Sarabhai M. Chemicals, (Divn. of M/s S.M. Chemicals and Electronics Ltd), A to Z, Industrial Estate, Ganpatrao Kadam Marg, Bombay-400013—(Baroda-Gujarat)—Cycocel Technical—100 tonnes—(NA)

Dyestuffs

M/s Atul Products Ltd, Atul, Western Railway. Dist. Bulsar (Gujarat)—Bulsar-Gujarat)—Bon Acid—From 400 tonnes to 1200 tonnes (After expansion)—(SE)

Drugs and Pharmaceuticals

M/s Themis Chemicals Ltd, Vapi Indl. Estate, Vapi (Gujarat) —(Vapi-Gujarat)—(a) Bulk drug Oxyphenbutazone—25 tonnes, Formulations, Tablets of Trimethoprim and Sulphamethoxazole 2.4 mill. tablets. (a) Oracort Inj. (i) Each ml. containing 10 mg Triamcinolene Acetonide (in ml amps)—50,000 amps. (ii) Each ml containing 40 mg Triamcinolene Acetonide (in ml amps)—25,000 amps, (b) Oracort ointment (3 gm tube)—300,000 tubes, Retabolil Inj. (in 1 ml. amps)—600,000 Injectables of Gentamycin—600,000 amps. Capsules of So Chromoglycate—2.4 mill capsules. Capsules of Nitrazepam mill capsules—(NA)

M/s Ranbaxy Laboratories Ltd, Okhla, New Del (Ropar-Punjab)—Inorganic Chemicals (Laboratory Rea and Analytical Reagents)—40 tonnes. Organic Chem (Laboratory Reagents and Analytical Reagents)—40 to Indicators and Stains—2 tonnes. Electronic Grade Chemica tonnes. Volumetric Solution—10,000 litres—(NA)

M/s Chemical Industrial and Pharmaceutical Laborat Ltd, 289, Bellasis Road, Bombay-400008, (Maharas Carbenoxolone Sodium B.P.—800 Kgs—(NA)

M/s Fairdeal Corpn Pvt Ltd, Lakshmi Bldg, Sir P.M. R Fort, Bombay-400001, (Kolaba-Maharashtra)—Acetrizoic —1 tonne, Benzocaine—10 tonnes—(NA)

Textiles

M/s Empire Industries Ltd, (Empire Dyeing Divis Empire Dyeing, 414, Sonepati Bapat Marg, Bombay-400 (Bombay-Maharashtra)—Processing of Textiles made of Co Art Silk (Dyeing, Bleaching, Mercerising, Printing and Pack —160 million Mtrs—(SE)

Vegetable Oils and Vanaspati

M/s Majety and Sons Oil Co Pvt Ltd, Agraharam, T Road, Guntur-4 (AP), (Guntur-A.P.)—Cottonseed Oil—10 tonnes in terms of cottonseed—(NU)

Cement and Gypsum Products

M/s Mysore Cement Ltd, UCO Bank Bldg., 4th Fl Parliament Street, New Delhi-110001, (Damoh-MP)—Portl Cement—400,000 tonnes—(NU)

M/s Kesoram Industries & Cotton Mills Ltd, 9/1, R Mukherjee Road, Calcutta-700001, (Karimnagar-AP)—Portl Cement—from 4,50,000 tonnes to 7,00,000 tonnes (After pansion) (First Phase)—(SE)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Bharat Springs Pvt. Ltd., 37, Barrister Nath Pai M (Reay Road), Cottongreen, Bombay-400033. (Kolaba-Ma rashtra)—Alloy Steel and Mild Steel for the manufacture Spring Leaves and Assemblies (for captive use)—6,000 tonn (NU)

M/s Indian Metal & Ferro Alloys Ltd, P.O. Rasulaga Bhubaneswar-751010. (Koraput-Orissa)—Ferrow Silicon—7 tonnes (Additional —20,000 tonnes (After expansion)—(S.E.

M/s Basant Alloy Steel Ltd, 201, Ansal Bhavan, Kastu Gandhi Marg, New Delhi-1. (Thana-Maharashtra)—H.F Precision Steel Tubes sizes 12 mm to 50 mm in the requi product-mix—10,000 tonnes—(N.A.)

M/s KAP Steel Ltd, 3/11, Kaveriappa Layout, Miller T Bund Road, Bangalore-560052, (Bangalore-Karnataka

Forging Steel bars, Spring Steel flats, Electrode Steel rods, Hardening and tempering quality steel bars, Free cutting steel bars 21,600 tonne—(NA)

M/s Bangalore Wire Rod Mill, A unit of Transport Corpn. of India (Pvt.) Ltd. White-field Road, Bangalore-560048, (Bangalore-Karnataka)—High Carbon Wire Rods in sizes range 5.5 mm to 8 mm in 400 Kg. coils—40.000 tonnes.—(NA)

Mr U.V. Patel, 12-A, Dwarkesh Nagar, Nahur, Muland (W), Bombay-400080. (Ahmednagar-Maharashtra)—Sophisticated Steel Forgings below 8/10 kgs. in weight—2,000 tonnes—(NU)

M/s Indian Aluminium Co. Ltd, UCO Bank Bldg, Parliament Street, New Delhi-110001. (Thana-Maharashtra)—Aluminium Foils—1500 tonnes—4000 tonnes (After expansion) (SE)

M/s India Foils Ltd, Himalaya House, Flat H. 78, 23, Kasturba Gandhi Marg, New Delhi-110001. (Kamarhati-West Bengal)—Aluminium foils—From 3,000 tonnes to 3,750 tonnes (After expansion)—(SE)

M/s Stewarts & Lloyds of India Ltd, 41, Chowringhee Road, Calcutta-700071 (Calcutta-West Bengal)—Forged Flanges —700 tonnes—(NA)

M/s Rathi Rod Mills Ltd, 3-A, Vandhana, 11, Tolstoy Marg, New Delhi-110001. (Thana-Maharashtra)—High Tensile Wire Rods—40,000 tonnes—(NU)

Electrical Equipment

M/s Polydor of India Ltd, Sterling Centre, 2nd Floor, 16/2, Dr. Annie Besant Rd, Worli, Bombay-400018. (Maharashtra)—Pre-recorded Cassettes Pre-recorded Cartridges and Reels—1.2 million Nos—(NA)

M/s Tata Engg. & Locomotive Co. Ltd, 'Bombay House' 24, Homi Mody Street, Fort, Bombay-400023, (Pune-Maharashtra)—Printed Circuit Motors upto 2.2 KW ratings—150 Nos—(NA)

Mr Kiran N. Javeri, 17-B, Horniman Circle, Fort, Bombay-400023, (Aurangabad-Maharashtra)—Metal Film resistors—7.5 M. Nos. Metal Oxide Film resistors—7.5 M. Nos., Wire wound resisters (Military & Professional)—3 M. Nos., Cermet potentiometers (Professional)—0.5 M. Nos—(NU)

M/s Tata Engg. & Locomotive Co Ltd, 'Bombay' House, 24, Homi Modi Street. Fort, Bombay-400023 Pune-Maharashtra)—In Process Gauging-40 Nos., Rotary position Encoder & Read out—100 Nos., Linear position Encoder & Read out—100 Nos., Proximity switch—1000 Nos. Electrical copy machining—10 Nos, Numerical Control of Machine Tools —10 Nos, Solid State Controllers for Machine Tools—50 Nos—(NA)

M/s J.V. Electronics Ltd, 808-9, Meghdoot, 94, Nehru Place, New Delhi-110024 (Gurgaon-Haryana)—Silvered Mica Plates, Sections and Components—from 200 M. Nos. To 350 M. Nos. (after expansion). Silvered Mica Capacitors—15 M. Nos—(S.E)

M/s Philips India Ltd, Shivsagar Estate, 'A' Block, Dr. A.B. Road, Bombay-400018 (Poona-Maharashtra)—Electronic Measuring & Supervisory Systems for Industrial applications: Displacement converter, Strain converter, Vibration/Acceleration converter, RPM converter, Limit Detector/Peak Hold Unit, Accessories, Tranoducer for displacement, Strain, RMP—500 Measuring chains each for only one measuring parameter—(SE)

M/s Camphor and Allied Production Ltd, 133, Mahatma Gandhi Rd, Bombay-400023. (Baroda-Gujarat)—D.C. Micromotors Asynchronous Motors Hysterisis type Synchronous—3,00,000 Nos—(NU)

Transportation

M/s Brakes India Ltd, 37, Mount Road, Madras-600006 (Chingleput-Tamilnadu)—Permanent Mould Castings—5000 tonnes—(NA)

M/s International Instruments Pvt. Ltd., 140, Hosur, Road Bangalore-560034. (Bangalore-Karnataka)—Ticket Issuing Instrument—5,000 Nos—(NA)

M/s Globe Auto (Gujarat Ltd, 'D' Shivsagar Estate, Worli, Bombay-400018. (Bulsar-Gujarat)—Dynastart—25,000 Nos—(NA)

M/s Punjab State Indl. Dev. Corpn. Ltd, S.C.O.54, 55 & 56, Sector 17-A, P.B. No. 81, Chandigarh-160017 (Hoshiarpur-Punjab)—Clutch facings, Moulded and Metallic, Moulded —10,00,000 Nos., Woven and Metallic Woven—10,00,000 Nos., Bonderisation of discs (Steel)—2,00,000 Nos., Clutch kits with facings—5,00,000 Nos. Steel discs—5,00,000 Nos—(NU)

Mr G.L. Raheja, Construction House. Opp. Telephone Exchange, 24th Road, Khar, Bombay-400052 (Backward Area-Karnataka)—Tie Rod Ends—7,00,000 Units, Drag Links/other Linkages—7,00,000 Units (NU)

M/s Business Combine Ltd., 78-B, Dr A.B. Road, Worli, Bombay-400018 (Baroda-Gujarat)—Hydraulic Power Booster Packs for Steering Mechanism of Vehicles—20,000 units—(NA)

M/s Kaira Can Co. Ltd, Nehru House, 4, Bahadurshah Zafar Marg, New New Delhi-1 (Kaira/Mehsana-Gujarat)—O.T.S. and General Line Containers—30 mill. (addl.) Nos 60—mill. Nos (after expansion)—(SE)

Industrial Machinery

M/s Garden Reach Shipbuilders & Engineers Ltd, 43/46, Garden Reach Rd, Calcutta-700024, (24-Parganas-West Bengal) —10 HP to 60 HP Mine Haulages Flame Proof and non-flame proof type medium duty—40 Nos, 75 HP to 150 HP Mine Haulages Flame Proof and non-flame proof type heavy duty—40 Nos—(NA)

M/s Stibbi Raj Ltd, 410, Indl Area 'A', Ludhiana-141003. (Ludhiana-Punjab)—Sophisticated High Production Interlock and Rib Machines of international standard (from gauge 14 to 40 in all diameters)—200 Nos—(NU)

Miscellaneous Industries

Shri Dhruv Kumar, C/o. M/s Bharat Industrial Works, 708, Akash Deep Bldg, 26-A, Barakhamba Rd, New Delhi-110001, (Backward Distt-UP)—Resin bonded diamond or Borozon Wheels & Tools—5,000 Nos, Diamond Dressing Tools—8,000 Nos, Diamond shaped tools—3,000 Nos, Diamond lapping compound—3,000 Nos, Electro Metallic Diamond or borozon plated wheels and tools—6,000 Nos, Metal bonded diamond or borozon wheels and tools—5,000 Nos, Segmented saws—1,000 Nos, Thin wall refractory Bits—500 Nos—(NU)

M/s Pankaj Gauge and Tools (P) Ltd, 50B, Gariahat Road, Calcutta-19, (Srinagar-J & K)—Fine Pitch Precision Ground Relieved Tungsten Carbide Hobs and Tungsten Carbide Profile Ground Relieved Cutters for Watch and Instrument Factories—1250 Nos, Super High Speed Steel Precision Ground Relieved Hobs and Cutters—5250 Nos, Tungsten Carbide Precision End Mills, Twist Drills, Centre Drills, Die Sinking Tools, Reamers & Burs—40,000 Nos, Super High Speed Steel End Mills, Twist Drills, Centre Drills, Reamers & Die Sinking Tools—22,000 Nos—(NU)

Medical and Surgical Appliances

Mr Hasmukh S. Desai, C/o M/s Indo Orient Agencies (P) Ltd, 4th Floor, Merchant Chamber, 41, New Marine Lines, Bombay-400020, (Bharuch-Gujarat)—ECG Monitor—100 units, 4 Channel display heart rate meter and Recorder—10 units, D.C. Defibrillator—60 units, Demand Pacemaker—75 units, Telemetry Transmitter and Telemetry Receiver—60 units, Apnea Monitor—15 units, Temp Monitor—15 units—(NU)

Industrial Instruments

M/s Bestobell India Ltd, 311-312, Ansal Bhawan, 16 Kasturba Gandhi Marg, New Delhi-110001, (Calcutta-West Bengal)—Industrial Pressure Indicators (above 50 lbs per square inch)—4,000 Nos—(NA)

M/s Tata Engg. and Locomotive Co Ltd, Bombay House, 24, Homi Modi Street, Fort, Bombay-400023, (Pune-Maharashtra)—LVRT, Vertical Bar Display, Analogue Timer, Digital Counters and Digital Timer—4200 Nos (for captive requirements), Electronic Comparator, Electronic Weighing Instruments, Crane Weighing Instruments and Test Rig equipment consisting of: Torque Meter, Temperature Monitor, Pressure Monitor, Flow Monitor, Tachometer (Optical), 5th wheel equipment to ensure accurately acceleration, deceleration and distance travelled on land—260 Nos, (for captive requirements).

Chemicals other than Fertilisers

Mr M.R.K. Rao, 3-6-524, Himayatnagar, Hyderabad-500029, (Medak-AP)—Methyl Imidazole—100 tonnes—(NU)

M/s Sudarshan Chemical Industries Ltd, 162, Wellesley Road, Poona-411001, (Maharashtra)—Ethyl Aceto Acetate—150 tonnes, Methyl Aceto Acetate—150 tonnes—(NA)

M/s Meena Air Products Ltd, 129-Jolly Market, Chamber No 2, Nariman Point, Bombay-400021, (Kolaba-Maharashtra)—Dissolved Acetylene Gas—0.05 MCM—0.20 MCM, (After Expansion), Nitrogen Gas—0.50 MCM—(NA/SE)

M/s West Bengal Industrial Development Corpn Ltd, 23-A, Netaji Subhas Road, Calcutta-700001, (Midnapur-WB)—Ethylene—54,000 tonnes, Propylene—30,000 tonnes, Prolys Gasoline—46,000 tonnes, Butadine—8,000 tonnes, Benzen —8,000 tonnes, Ethylene Oxide—3,000 tonnes, Ethylen Glycol—10,000 tonnes, Diethylene Glycol—1,500 tonnes, Ethy Hexanol—21,000 tonnes, Isobutanol—8,100 tonnes, N-Butano —3,150 tonnes, HOPE—20,000 tonnes, PVC—45,000 tonnes—(NU)

Dr Panna Lal Bhatia, 38, Rajindra Park, New Delhi, (Delhi—Nitrous Oxide—103 million litres, Hydrogen—0.75 millio cubic meters—(NU)

M/s Pure Oxygen and Acetylene Co, D-271, Vivek Vihar Delhi-110032, (Jammu-J & K)—Oxygen Gas—1.00 MCM Nitrogen Gas—1.00 MCM, Dissolved Acetylene—0.40 MCM—(NU)

M/s Rukmani Metals & Gaseous Ltd, L-14, Connaugh Circus, New Delhi-1, (Nagpur-Maharashtra)—Dissolved Acetylene Gas—0.10 MCM (Addl)—0.20 MCM (After expansion), Nitrogen Gas—0.50 MCM—(NA/SE)

M/s Shri Ambica Mills Ltd, Kankaria, Ahmedabad-380008, (Baroda-Gujarat)—Glycol Ethers—4,000 tonnes—(NU)

Mr S. Vijayaraghavan, 3/2, Jagannathan Road, Nungambakkam, Madras-600034, (Srikakulam-AP)—Furfural—3,000 MT Furan Resins—1,500 MT—(NU).

Mr Panduranga K. Timblo, Aguem, Margao (Goa), (Ratnagiri-Maharashtra)—Oxygen—1.00 MCM, Nitrogen—0.50 MCM, Dissolved Acetylene—0.20 MCM—(NU)

M/s Bombay Chemicals, Nain Krupa, 4th Floor, 118/122, Kazi Sayed Street, Bombay-400003, (Gujarat)—Sulphuric Acid—16,500 tonnes (with provision for manufacture of 10,000 tonnes of Oleum within this capacity)—(NA)

M/s Bayer (India) Ltd, Express Towers, Nariman Point, Bombay-400021, (Thana-Maharashtra)—Fenthion Technical—200 tonnes within existing licensed capacity—(NA)

M/s Gujarat Agro Oil Enterprises Ltd, Khet-Udyog Bhavan, Opp High Court, Navrangpura, Ahmedabad-380014, (Ahmedabad/Rajkot-Gujarat)—Mixed Fatty Acids—4,500 tonnes, Glycerine (By-products)—144 tonnes—(NA)

M/s Kanoria Chemicals & Industries Ltd, 16A, Brabourne Road, Calcutta-1, (Gujarat)—Cellulose Nitrate-Lacquer/Plastic grade including Sheets/Rods, Tubes, Moulding Powder and films—1000 tonnes—(NU)

M/s Garware Plastics Pvt Ltd, 50-A, Central Salsette Rd, Vile Parle (East), Western Express Highway, Bombay-400057, (Aurangabad-Maharashtra)—Polyester Film—1500 tonnes (after expansion)—(SE)

M/s Supreme Industrial Ltd, 17/18, Shah Indl Estate, Veera Desai Road, Andheri (West), Bombay-400058 (Maharashtra)—Co-extruded Polyethylene film—1,000 tonnes—(NA)

M/s Gujarat State Fertilisers Co Ltd, PO Fertilisernagar-391750, Dist Baroda (Gujarat)—Sulphuric acid—1,32,000 tonnes (with a provision to manufacture 33,000 tonnes of sulphur dioxide and 36,300 tonnes of oleum within this capacity)—(NA)

M/s Wimco Ltd, Indian Mercantile Chambers, Nicol Road, Ballard Estate, Bombay-400038 (Ambarnath-Maharashtra)—Magnesium Perchlorate—75 tonnes, Perchlorate Acid—12½ tonnes—(NA)

Dyestuffs

M/s Jaysynth Dyechem Pvt Ltd, 303, Navjivan, 125/127, Kazi Sayed Street, Bombay-400003 (Thana-Maharashtra)—Reactive dyes—360 tonnes, Disperse dyes—18 tonnes—(NA)

Drugs and Pharmaceuticals

M/s Haffkine Bio-Pharmaceutical Corpn Ltd, (A govt of Maharashtra undertaking), Acharya Donde Marg, Parel, Bombay-400012 (Maharashtra)—Chloroquine phosphate—50 tonnes—(NA)

M/s Mehta Pharmaceuticals Pvt Ltd, Chheharta, (Amritsar) (Amritsar-Punjab)—Liquorice extract—23 tonnes—(SE)

Textiles

Mr S.P. Oswal, Spring Field, College Road, Civil Lines, Ludhiana (Punjab)—Processing of tubular knit hosiery—1060 tonnes, Processing of yarn—1060 tonnes, Dyeing of fibre (natural/synthetic)—177 tonnes, Processing of fabrics (polyester/blended)—708 tonnes—(NU)

M/s Hathising Mfg Co Ltd, Saraspur, Ahmedabad-18 (Ahmedabad-Gujarat)—Cotton yarn—11,000 spindles (addl) —25,000 spindles (after expansion)—(SE)

M/s Asoka Mills Ltd, Railwaypura, Naroda Road, Ahmedabad-380002 (Ahmedabad-Gujarat)—Spindles (for balancing the existing spinning & weaving capacity)—4,500 Nos—(SE)

M/s Asarwa Mills, Prop: Bengal Tea & Industries Ltd, 9, Brabourne Road, Calcutta-700001 (Ahmedabad-Gujarat)—Cloth—308 looms (additional)—1,000 looms (after expansion)—(SE)

Paper and Pulp

Mr Mukhinder Singh, Villette, Simla-2 (Solan-Himachal Pradesh)—Wood pulp—22,000 tonnes—(NU)

M/s Meghalaya Industrial Development Corpn Ltd, Room No 413, Meghalaya Addl Sectt Building, Post Box No 9, Shillong-1 (East Khasi Hills-Megalaya)—Sack kraft paper—15,750 tonnes—(NU)

Food Processing Industries

M/s Kelvinator of India Ltd, 9A, Alipore Road, Delhi-110054 (Delhi)—Marine products—8,400 tonnes—(NU)

M/s Ajmer Zila Dugadh Utpadak Sahakari Sangh Ltd, Opp MTC Ltd, Beawar Road, Ajmer (Rajasthan)—Skimmed milk powder—1,700 MT, Casein—35 MT, Butter (by product)—1,300 MT, Ghee (by-product)—50 MT—(NA)

M/s Jaipur Zila Dugdh Utpadak Sahakari Sangh Ltd, Bhagat Niwas, Sardar Patel Marg, Jaipur (Rajasthan)—Milk powder—2,100 tonnes, Casein—70 tonnes, Butter (by-product)—1,400 tonnes, Ghee (by-product)—130 tonnes, Ice-cream (by-product) —35 tonnes—(NU)

M/s Alwar Zila Dugdh Utpadak Sahakari Sangh Ltd, 201, Raghu Marg, Bhagat Singh Ka Choraya, Alwar (Rajasthan)—Skimmed milk powder—2,100 MT, Casein—35 MT, Butter (by-product)—1,500 MT, Ghee—80 MT—(NU)

Rubber Goods

M/s Andhra Pradesh Automobile Tyre & Tubes Ltd, 3-6-220/18 Hyderguda, Hyderabad-500029 (Guntur-Andhra Pradesh)—Textile reinforced rubber conveyor belting—900 tonnes, Steel cord reinforced conveyor rubber belting—600 tonnes, PVC conveyor belting—500 tonnes—(NA)

Leather and Leather Goods

Mr K. Ameenur Rehman, 19, Vepery High Road, Madras-600003 (N-Arcot-Tamil Nadu)—Leather footwear—7,50,000 pairs—(NU)

M/s Leather Industries Dev. Corpn of Maharashtra Ltd, Bombay Life Building, 45, Veer Nariman Road, Bombay-400023 (Aurangabad-Maharashtra)—Finished leather from sheep, goat and calf skins—1.2 million pieces—(NU)

Glue & Gelatin

M/s Karnataka State Indl Investment & Dev Corpn Ltd, Harinivas, 36, Cunninghan Road, Bangalore-52 (Backward area-Karnataka)—Gelatin—2,000 tonnes, Ossein—1,200 tonnes, Di-calcium phosphate—2,000 tonnes—(NU)

Glass

M/s Himachal Pradesh Mineral & Indl Dev Corpn Ltd, Kishore Bhavan, The Mall, Simla-1 (Una-Himachal Pradesh)—Fibre glass—4,000 tonnes—(NU)

M/s Kerala State Indl Dev Corpn Ltd, PB No 105, 'Purushotham', Sasthamangalam, Trivandrum-10 (Alleppey-Kerala)—Fibre glass—4,000 tonnes—(NU)

M/s Industrial Promotion & Investment Corpn of Orissa Ltd, 3-A, Satyanagar, Bhubaneswar (Mayurbhanj-Orissa)—Fibre glass —4,000 tonnes—(NU)

M/s Karnataka State Industrial Investment and Development Corpn Ltd, 'Harinivas', 36, Cunningham Road, Bangalore-560052, (Backward Area-Karnataka)—Fibre Glass—4,000 tonnes—(NU)

Cement and Gypsum Products

Mr Narayandas Hiralal Khandelwal, C/o M/s Pannalal Hiralal & Co, Old Cotton Market, Post Box No 40, Akola-444001, (Aurangabad-Maharashtra)—Mill Board—400 tonnes, Asbestos Textiles—600 tonnes—(NU)

Mrs Nirmala R. Khatau, 15-A, Jamnadas Mehta Rd, 6th Floor, Malabar Hill, Bombay-400006, (Backward Area-Gujarat) —Mill Board—500 tonnes—(NU)

Mrs S.N. Parikh, 1330, Kanji Devan Lane, Rajamehats Street, Ahmedabad-1, (Panchmahal-Gujarat)—Mill Board—750 tonnes—(NU)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Rajasthan State Industrial & Mineral Development Corpn Ltd, Jaipur to M/s Banswara Syntex Ltd.

M/s Metal Rolling Works Pvt Ltd to M/s Metal Rolling Works Ltd

M/s Indian Crane Co Ltd, Calcutta to M/s Tractors India Ltd, Calcutta

M/s Particle Boards India Ltd to M/s Jolly Anil India Ltd

Mr Tej Bahadur Gangwar, MLA, Bilaspur Kisan Sahakari Chini Mills Ltd to Bilaspur Kisan Sahakari Chini Mills Ltd, Bilaspur, Distt Pilibhit, UP

Industrial and Agricultural Engineering Co (Bombay) Pvt Ltd to Industrial and Agricultural Engineering Co (Bombay) Ltd

M/s Cutler Hammer India Ltd to M/s Bhartia Cutler-Hammer Ltd

Licences Revoked or Cancelled

(Information pertains to particular licences only)

M/s Siliguri Steels Ltd, Calcutta—Steel Ingots—(Revoked)

M/s Columbian Carbon (India) Ltd, Bombay—Carbon Black—(Revoked)

M/s Hissar Tubes Pvt Ltd, Bahadurgarh (Distt Rohtak)—Steel Pipes and Tubes—(Cancelled)

M/s Asian Cables Corporation Ltd, Bombay—Paper and Cotton Covered Wires and Strips—(Revoked)

M/s Kangsabati Steel Plant Ltd, Calcutta—MS Billets and High Carbon Steel Billets—(Revoked)

M/s Assam Industrial Development Corporation Ltd, Gauhati—Cement—(Cancelled)

M/s Zenith Alloys and Steels Ltd, Calcutta—MS Ingots—(Revoked)

M/s K. Steel (P) Ltd, Jamshedpur (Bihar)—MS Ingots—(Revoked)

Mr Nand Kishore Agarwal, C/o Nav Bharat Machine and Engg Co, Bombay—Pulp and Packing and Wrapping Paper—(Revoked)

M/s Dalmia Cement (Bharat) Ltd, Dalmiapuram (Tamil Nadu)—Shaft Kiln Cement Plant—(Revoked)

M/s Shriram Sahakari Sakhar Karkhana Ltd, Phattan, Distt Satara, Maharashtra—Sugar—(Revoked)

M/s The Challapalli Sugars Ltd, Madras—Sugar—(Revoked)

M/s Industrial Products Co—Writting and Printing Paper——(Revoked)

M/s Baldev Steels Ltd, Delhi-52—MS Ingots—(Revoked)

Letters of Intent Lapsed or Cancelled

(Information pertains to particular letters of intent only)

M/s Excel Industries Ltd, Bombay, (Gujarat)—Diethyl Thio-phosphoryl Chloride—(Cancelled)

M/s Gujarat Industrial Investment Corpn Ltd, New Delhi, (Gujarat)—Mild steel and low carbon steel billet—(Lapsed)

M/s Karnataka State Industrial Investment and Dev Corpn Ltd, Bangalore, (Karnataka)—Carburettors—(Cancelled)

Mr P.C. Jhunjhunwala, Rampur (UP)—Sulphuric Acid—(Lapsed)

Mr Binod Kumar Kanoria, Calcutta, (Karnataka)—Caustic Soda—(Lapsed)

M/s Kangsabati Steel Plant Ltd, Calcutta, (West Bengal)—Ingots and Structurals, Bars and Sections—(Cancelled)

M/s The State Industrial & Investment Corpn of Maharashtra Ltd, Bombay-1, (Maharashtra)—Sponge Iron—(Cancelled)

M/s East Anglia Plastics (India) Ltd, Calcutta, (W Bengal)—Malathion Technical—(Lapsed)

M/s Andhra Cement Co Ltd, Madras, (Andhra Pradesh) Sponge Iron—(Cancelled)

M/s Haryana State Indl Dev Corpn Ltd, Chandigar (Haryana)—Hard Ferrites—(Cancelled)

M/s Haryana State Indl Dev Corpn Ltd, Chandigar (Haryana)—External Pacemakers and Electrodes)—(Lapsed)

Mr Sardari Lal, New Delhi, (Maharashtra)—High Pre sure Fittings—(Lapsed)

M/s Shree Bhawani Cotton Mills Ltd, Delhi, (UP) Precious Metal Contact Points and Bimetal Strips—(Lapsed)

M/s Dalal Engg Ltd, Bombay, (Maharashtra)—Spra driers—(Cancelled)

Mr Vinay Rai, New Delhi, (Maharashtra)—Copper Cla Aluminium Wire Rods/Sections—(Lapsed)

Mr Shiv Prakash Seth, Bombay, (Maharashtra)—Car Clothing for Woollen Industry—(Lapsed)

Mr Prem Kumar Goyal, Delhi, (Rajasthan)—Sulphur Acid—(Cancelled)

M/s Super Coil Springs Mfg Co Pvt Ltd, Bombay, (Maha rashtra)—Industrial Springs—(Lapsed)

Mr Y.K. Gupta, Delhi, (Haryana)—Copper Clad Alu minium Wire Rods, Flats and Profiles etc—(Cancelled)

M/s Chemical Construction Co (P) Ltd, New Delh (Haryana)—Calcium Carbide Furnaces—(Lapsed)

M/s Bajrangbali Engg Co Ltd, Howrah, (West Bengal)—Rim Section etc—(Cancelled)

M/s Andhra Pradesh State Agro Industries Corpn Ltd Hyderabad, (Andhra Pradesh)—Malathion Technical—(Cancel led)

M/s Kamani Engg Corpn Ltd, Bombay, (Maharashtra)—Industrial Fasteners—(Lapsed)

Mr Krishna Mohan Goel, Calcutta, (UP)—Industria Gases—(Lapsed)

M/s Vale Electrical Industries, Bangalore, (Karnataka)—Circuit Breakers, motor starters etc—(Lapsed)

M/s Mochem Ltd, Thana (Maharashtra), (Maharashtra)—Wire Enamels—(Lapsed)

M/s Tamil Nadu Indl Dev Corpn Ltd, Madras, (Tami Nadu)—Metal Cased Solid Tantalum Capacitors—(Lapsed)

M/s Southern Steel Ltd, Hyderabad, (Karnataka)—Writing & Printing Paper—(Lapsed)

Mr Jasubhai Ramniklal Shah, Bombay, (Gujarat)—Writing & Printing Paper—(Lapsed)

Mr Ramanand Sagar, Bombay, (J & K)—Packing & Wrapping Paper—(Lapsed)

M/s G. Lochan & Co (P) Ltd, Calcutta, (West Bengal)—High Strength Kraft Paper—(Lapsed)

Mr Romesh Dhingra, New Delhi, (Haryana)—Bicycle Rims and Chainwheel Crank Assembly—(Lapsed)

Mr Naresh Kumar Garg, New Delhi (Haryana)—Packing & Wrapping Paper—(Lapsed)

M/s Ajanta Paper & Genl Products Pvt Ltd, Thana, (Maharashtra)—Filter Paper—(Lapsed)

RECORDS AND STATISTICS

Performance of the public sector undertakings

According to the annual report on the working of the industrial and commercial undertakings of the central government for the year 1976-77, there were 145 undertakings under construction and in running stage, which were directly under the management of the central government. In 1975-76 and in 1974-75 the total number of enterprises was 129.

HE TOTAL investment (paid-up apital and long term loans) in ne 145 concerns in 1976-77 mounted to Rs 11,097 crores s against Rs 8973 crores in the 29 enterprises in 1975-76 and s 7261 crores in the 129 nterprises in 1974-75. These nvestment figures do not nclude amounts secured by he enterprises under cash-redit arrangement with the anks and deferred credits for aw materials from foreign uppliers. The annual rate of rowth of investment in the ear 1976-77 over the preceding year worked out as 23.67 er cent as against the annual ates of 24.8 per cent and 16 per cent in 1975-76 and 974-75.

The names of the enterprises, he administrative ministries responsibile for their managements nd the total investments therein re given in Annexure, page 448. The list includes 10 enterprises nder construction, 7 insurance orporations, the National 'extile Corporation Ltd and companies registered under Section 25 of the Companies Act (i.e. the non-profit making ompanies) and 135 running nterprises. The performance eview relates to 135 running oncerns.

The 135 operating enterrises collectively earned a net rofit before tax aggregating o Rs 476.17 crores. After payment of income tax by the companies aggregating to Rs 236.58 crores the net profit after tax amounts to Rs 239.59 crores. This compares with Rs 129.11 crores net after taxes in 1975-76 and a net profit of Rs 183.55 crores in 1974-75.

(Rs in crores)

	1976-77	1975-76	1974-75
Net profit before tax	476.17	305.65	312.48
Tax	236.58	176.54	128.93
Net profit after tax	239.59	129.11	183.55

On a capital employed of Rs 10861 crores as on March 31, 1977 the gross profit after providing for depreciation and deferred revenue expenditure amounted to Rs 1053.57 crores. The return on capital employed works out to 9.7 per cent.

Net profit after tax as a percentage on year end paid up capital was 4.6 per cent as compared to 2.9 per cent in 1975-76.

The sales turnover of the enterprises during 1976-77 amounted to Rs 14542 crores as against Rs 11688 crores in 1975-76 and registered a 24.4 per cent increase. The turnover as a percentage of capital employed was 133.9 per cent in 1976-77 as compared to 132.4 per cent in 1975-76.

The value of inventories held by running concerns as on March 31, 1977 amounted to Rs 6335 crores. This includes Rs 2572 crores of stock held by Food Corporation of India. Excluding this, the net inventory of Rs 3763 crores constitutes 3.7 months' output/turnover for 1975-76.

Foreign exchange earnings through exports of goods and trading amounted to Rs 2248.06 crores in 1976-77 as against Rs 1535.83 crores in 1975-76 and Rs 1113.48 crores in 1974-75.

During the fourth Plan period ending 1973-74 the contribution to the public exchequer by way of dividends, interest, income tax and excise duty amounted to Rs 3120 crores. Their contribution to the exchequer during the year 1974-75, 1975-76 and 1976-77 amounted to Rs 1130 crores, Rs 1368 crores and Rs 1597 crores respectively, as given in table below.

(Rs in crores)

	1976-77	1975-76	1974-75
Dividends	50	21	20
Interest	221	172	133
Income tax	237	177	129
Excise duty	1089	998	848
	1597	1368	1130

Internal resources generated by the public enterprises during the fourth Plan amounted to Rs 1260 crores as against the target of Rs 1265 crores, 99.6 per cent achievement. According to the fifth five-year Plan, resources to the extent of Rs 1615 crores is expected to be generated during the first three years of the Plan. Against this, the resources generation was Rs 580 crores in 1974-75, Rs 526 crores in 1975-76 and Rs 719 crores in 1976-77. In other words in the first three years of the Plan, the achievement was Rs 1825 crores and higher than the target.

There has been an improvement in the capacity utilisation in the manufacturing group of industries. In 1976-77, 76 units recorded capacity utilisation of more than 75 per cent as against 69 in the previous year. Capacity utilisation in

24 units was ranging between 50·75 per cent in 1976-77 as against 28 in the previous year. Only 17 units operated below 50 per cent capacity utilisation during the year as compared to 15 in the previous year.

Groupwise analysis shows that the capacity utilisation was the high in steel, coal, transportation equipments, petroleum and chemicals and consumer goods groups. In respect of other groups the picture was one of mixed pattern.

The total number of employees in the various groups of undertakings was 15.75 lakhs in 1976-77 as against 15.05 lakhs in 1975-76. This does not include data relating to the National Textile Corporation and its subsidiaries accounting for about 2.0 lakh employees. The total employees in 1974-75 numbered 14.31 lakhs. The increase in employment in 1976-77 and 1975-76 was 4.65 per cent and 5.1 per cent respectively. In 1975-76 the total outgo on account of salary and wages and other benefits including bonus was Rs 1351.79 crores which rose to Rs 1407.51 crores in 1976-77 registering a 4.12 per cent increase over the previous year.

The total gross capital expenditure on townships amounted to Rs 406.91 crores out of a total gross fixed assets of the public enterprises of Rs 11451.2 crores. The actual expenditure on township, therefore, constituted 3.6 per cent of the total gross investment in fixed assets.

Considering the critical role of housing in the economy the public enterprises have made a significant contribution by adding more than 4
houses to the total numb
housing in new areas.

The public enterprises
spent a net amount of Rs
crores on the maintenan
townships. In addition, a
of Rs 55.11 crores has
spent on social overheads
provision of education
medical care etc.

The total expenditure
employees' welfare thro
provision of houses, educa
and medical facilities amo
ed to Rs 94.60 crores
1976-77.

Five Year Profile of Public Enterprises
(Ten Indicators)

	1972-73	1973-74	1974-75	1975-76	1976-77
1. Investment (Rs crores)	5571	6237	7261	8973	11097
2. Turnover (Rs crores)	5299	6777	10217	11688	14542
3. Gross profit (Rs crores) (before interest & tax)	245	273	559	668	1054
4. Net profit (Rs crores) (before tax)	83	149	312	306	476
5. Net profit (Rs crores) (after tax)	18	64	184	129	240
6. Internal resources generated (Rs crores)	260	387	580	526	719
7. Return on capital employed (%)	5.1	5.2	8.4	7.6	9.7
8. Return on paid-up capital (%)	0.6	1.9	4.9	2.9	4.6
9. Employment (No. lakhs)	9.32	13.14	14.08	15.05	15.75
10. Expenditure on Employees					
(a) Salaries & wages etc (Rs crores)	541	749	1060	1352	1408
(b) Expenditure on social benefits & housing (Rs crores)	41	53	73	89	95
	582	802	1133	1441	1503

ANNEXU

Top Ten Enterprises

In Terms of Investment as on March 31, 1977

Name of the enterprise	Amount (Rs in crores)	% of t
1. Bokaro Steel Ltd	1341	12
2. Hindustan Steel Ltd	1209	10
3. Fertilizer Corporation of India Ltd	1110	10
4. Shipping Corporation of India Ltd	503	4
5. Food Corporation of India Ltd	429	3
6. Oil & Natural Gas Commission	421	3
7. Central Coal Fields Ltd	403	3
8. Heavy Engineering Corporation Ltd	307	2
9. Bharat Heavy Electricals Ltd	297	2
10. Bharat Coaking Coal Ltd	244	2
Total for the ten enterprises	6264	56
Total for all enterprises	11097	1

In Terms of Turnover During 1976-77

Name of the enterprise	Gross sales turnover (Rs crores)	%age total
1. Indian Oil Corporation	2670.54	18
2. Food Corporation of India Ltd	2175.05	15
3. Hindustan Steel Ltd	1076.90	7
4. State Trading Corporation	1037.94	7
5. Minerals and Metals Trading Corporation Ltd	843.49	5
6. Bharat Petroleum Corporation Ltd	522.09	3
7. Hindustan Petroleum Corporation	511.35	3.
8. Bharat Heavy Electricals Ltd	470.19	3.
9. Air-India	272.27	1.
10. Shipping Corporation of India	258·75	1.
Total for the ten enterprises	9838.57	67.
Total for all enterprises	14542.23	10

n Terms of Their Profit before Tax During 1976-77

	Name of the enterprise	Amount (Rs crores)
1.	Indian Oil Corporation	106·41
2.	Hindustan Steel Ltd	79.46
3.	Bharat Heavy Electricals Ltd	59.62
4.	Minerals & Metals Trading Corporation of India Ltd	49.05
5.	Oil & Natural Gas Commission	38.02
6.	State Trading Corporation	32.02
7.	Indian Airlines	20.74
8.	Hydro Carbons India Private Ltd	20.43
9.	Air-India	17.59
0.	Neyveli Lignite Corporation	14.25

n Terms of Employment During 1976-77

	Name of the enterprise	Number of employees
1.	Eastern Coal Fields Ltd	1,86,553
2.	Bharat Coking Coal Ltd	1,69,435
3.	Hindustan Steel Ltd	1,29,571
4.	Central Coal Fields Ltd	1,12,194
5.	Western Coal Fields Ltd	1,10,681
6·	Food Corporation of India	63,057
7.	Bharat Heavy Electricals Ltd	53,600
8·	Indian Iron and Steel Company	40,934
9.	Hindustan Aeronautics Ltd	39.796
10.	Bokaro Steel Ltd	52,885

In Terms of Tax Provided for During 1976-77

	Name of the enterprise	Amount (Rs crores)
1.	Indian Oil Corporation	58·00
2.	Minerals & Metals Trading Corporation	32.38
3.	Bharat Heavy Electricals Ltd	31.50
4·	Hydro Carbons India Ltd	20.83
5·	State Trading Corporation of India	17·22
6.	Indian Petrochemicals Corporation	5.35
7·	Indian Telephone Industries Ltd	5.00
8.	Hindustan Petroleum Corporation	4·87
9.	Bharat Petroleum Corporation	4.27
10.	Bharat Electronics Ltd	4.15

Performance Details, Overall Investment and Long Term Growth Trend

As on March 31, 1977 the overall investment (paid-up capital and long term loans) amounted to Rs 11,097 crores. Of this total investment, paid-up capital accounted for Rs 5,413 crores and loans Rs 5,684 crores. The investments made by the central and state governments and other parties is as follows:-

	(Rs in crores)
Central government	9569
State governments	15
Private parties (Indian)	908
Private parties (Foreign)	605
Total	11097

The Plan-wise and Annual Growth Trend in investment in the Central Enterprises

Period	Number of enterprises	Investment (Rs crores)
As on April 1, 1951 (beginning of I five-year Plan)	5	29
As on April 1, 1956 (beginning of II five-year Plan)	21	81
As on April 1, 1961 (beginning of III five-year Plan)	48	953
As on March 31, 1966 (end of the III five-year Plan)	74	2415
As on April 1, 1969 (beginning of IV five-year Plan)	85	3902
As on April 1, 1974 (beginning of V five-year Plan)	122	6237
As on April 1, 1975	129	7261
As on April 1, 1976	129	8973
As on April 1, 1977	144	11097

The Pattern of Investment by Different Sectors as at the End of 1976-77

	At the end of 1976-77 (Rs crores)	%	At the 1975-76 (Rs crores)	%
Enterprises Producing & Selling Goods				
Steel	2864.31	25.8	2570.40	28.6
Minerals & Metals—other than Coal	704.25	6.4	461.59	5.1
Minerals & Metals—Coal	1277.09	11.5	920.86	10.3
Petroleum	689.71	6.2	466.20	5.2
Chemicals & Pharmaceuticals	2076.22	18.7	1470.68	16.4
Heavy Engineering	803.34	7.3	776.22	8.7
Medium & Light Engineering	215.78	2.0	193.67	2.1
Transportation Equipment	335.41	3.0	302.74	3.4
Consumer Goods	178.25	1.6	108.19	1.2
Agro-based Enterprises	11.49	0.1	10.41	0.1
Service Enterprises				
Trading & Marketing Services	527.73	4 8	467.61	5.2
Transportation Services	933.29	8.4	860.73	9.6
Contracts & Construction Services	38.12	0.3	29.11	0.3
Industrial Development & Technical Consultancy Services	3 86	0.1	5.29	0.1
Development of Small Industries	46.26	0.4	42.63	0.5
Tourist Services	20.12	0.2	20.18	0.2
Financial Services	370.78	3.3	226.04	3.0
Total	11096.51	100.0	8972.55	100.00

Enterprises Whose Net Investment Exceeds Rs 20 Crores During 1976-77

(Rs crores)

1. National Fertilizers Ltd	175
2. Bokaro Steel Ltd	144
3. Hindustan Steel Ltd	101
4. Indian Iron & Steel Co Ltd (New company acquired)	108
5. Bharat Aluminium Co	36
6. Hindustan Zinc Ltd	35
7. National Hydro-Electric Power Corpn Ltd	37
8. National Mineral Dev Corpn Ltd	27
9. Coal India Ltd	346
10. Kudremukh Iron Ore Co Ltd	128
11. Oil & Natural Gas Commission	141
12. Fertilizer Corporation of India	286
13. Indian Petrochemicals Corpn Ltd	91
14. Food Corporation of India	43
15. Indian Airlines	67
16. Housing & Urban Dev Corporation	24
17. Rural Electrification Corporation	24
Total	1813

Operating Results of the Running Enterprises During 1972-73 to 1976-77

(Rs crores)

	1976-77	1975-76	1974-75	1973-74	1972-73
1. Gross surplus	1503	1051	894	569	492
2. Depreciation & amortisation	400	345	305	259	235
3. Write off of deferred revenue expenditure	49	38	30	38	12
4. Gross profit before interest	1054	668	559	272	245
5. Interest	578	363	246	124	162
6. Net profit before tax	476	305	313	148	83
7. Tax	236	176	129	84	65
8. Net profit after tax	240	129	184	64	18
Paid-up Capital and Capital Employed					
Paid-up capital	5186	4533	3770	3310	2954
Capital employed	10861	8824	6627	5256	4756
Profitability Ratios					
Turnover as % on capital employed	133.9	132.4	154.2	128.9	110.6
Gross profit as % on capital employed	9.7	7.6	8.4	5.2	5.1
Net profit after tax as % on paid-up capital	4.6	2.9	4.9	1.9	0.6

Comparative Picture of the Group-wise Performance during 1976-77 and 1975-76

(Rs in cror

Category	1976-77		1975-76	
	Net profit	Net loss	Net profit	N
I. Enterprises Producing Goods				
Steel	81.25	14.75	44.66	16
	(3)	(1)	(2)	(
Minerals & Metals				
(a) Coal	15.70	46.94	—	27
	(3)	(4)		(
(b) Other than Coal	8.58	8.10	13.89	15
	(4)	(7)	(3)	(
Petroleum	170.8	—	131.40	
	(11)		(9)	
Chemicals & Pharmaceuticals	24.87	49.22	24.86	40
	(6)	(4)	(8)	(
Heavy Engineering	64.23	6.60	60.26	8
	(7)	(3)	(6)	(
Medium & Light Engineering	36.08	2.34	27.44	0
	(11)	(4)	(11)	(
Transport Equipment	24.71	6.15	24.79	8
	(6)	(3)	(6)	(
Consumer Goods	3.10	4.79	1.98	1
	(4)	(4)	(5)	(
Agro-based products	0.90	1.51	0.90	0
	(1)	(2)	(1)	(
Total	449.93	140.40	330.10	120
	(56)	(33)	(51)	(2
II. Enterprises Rendering Services				
Trading & Marketing Services	107.89	0.55	59.85	-
	(17)	(3)	(17)	
Transportation Services	45.96	3.95	28.58	2
	(4)	(2)	(5)	(
Contract & Construction	3.22	0.76	2.39	1
	(4)	(3)	(3)	(
Industrial Development & Technical Consultancy Services	3.99	—	2.44	-
	(6)		(6)	
Small Industries Development	0.15	0.72	0.08	-
	(1)	(1)	(2)	
Tourist Services	1.33	0.07	0.77	0.
	(1)	(1)	(1)	(
Financial Services	10.15	—	7.34	0.
	(3)		(2)	(
Total	172.69	6.05	101.45	4.
	(36)	(10)	(36)	(6
Total All Running Concerns	602.12	126.02	431.63	125.
	(92)	(43)	(87)	(34

Enterprises Whose Profitability has Shown Improvement as Compared to the Previous Year

(Rs in lakhs)

l. No.	Name of the entrerprise	1976-77 profit after tax	1976-77 profit before tax	1975-76 profit before tax
1	2	3	4	5
1.	Bokaro Steel Ltd.	176	176	(—)1694
2.	Hindustan Steel Ltd.	7946	7946	4466
3.	Steel Authority of India	3	3	—
4.	Bharat Gold Mines	(—)124	(—)124	(—)250
5.	Bharat Aluminium Co. Ltd.	(—)361	(—)361	(—)481
6.	Hindustan Copper Ltd.	201	201	(—)230
7.	Indian Rare Earths Ltd.	160	383	258
8.	India Fire Bricks & Insulation Ltd.	(—)20	(—)20	(—) 112
9.	Pyrites, Phosphates & Chemicals Ltd.	6	6	(—)3
10.	Uranium Corporation of India Ltd.	(—)40	(—)40	(—)45
11.	Central Coal Fields Ltd.	145	145	—
12.	Coal India Ltd.	(—)100	(—)100	(—)2793
13.	Neyveli Lignite Corpn. Ltd.	1425	1425	(—)415
14.	Bharat Petroleum Corporation	166	593	—
15.	Caltex Oil Refinery	31	31	—
16.	Hindustan Petroleum Corpn. Ltd.	280	767	323
17.	Indian Oil Blending	24	43	20
18.	Indian Oil Corporation	4841	10641	5241
19.	Lubrizol India Ltd.	172	364	236
20.	Hindustan Antibiotics Ltd.	(—)54	(—)54	(—)292
21.	Hindustan Organic Chemicals Ltd.	329	329	255
22.	Indian Drugs & Pharmaceuticals Ltd.	432	432	355
23.	Madras Fertilizers Ltd.	336	336	220
24.	Bharat Heavy Electricals Ltd.	2812	5962	5224
25.	Bridge & Roof Co. Ltd.	17	17	(—)135
26.	Bharat Heavy Plate & Vessels Ltd.	(—)66	(—)66	(—)93
27.	Braithwaite & Co.	(—)287	(—)287	(—)390
28.	Burn Standard Ltd.	(—)307	(—)307	(—)433
29.	Heavy Engineering Corpn.	326	326	214
30.	Tungabhadra Steel Projects	11	11	10
31.	Jessop & Co.	65	65	12
32.	Balmer Lawrie	26	67	51
33.	Bharat Electronics Ltd.	295	710	503
34.	Hindustan Cables Ltd.	207	438	249
35.	Hindustan Teleprinters Ltd.	71	153	109
36.	Indian Telephone Industries	538	1038	731
37.	Instrumentation Ltd.	119	173	64
38.	Praga Tools Ltd.	48	48	(—)1
39.	Bharat Earth Movers Ltd.	421	811	773
40.	Central Inland Water Transport Corpn.	(—)353	(—)353	(—)476
41.	Garden Reach Shipbuilders & Engg. Ltd.	33	38	31
42.	Goa Shipyard Ltd.	24	28	7
43.	Hindustan Shipyard Ltd.	280	280	272
44.	Mazagaon Dock Ltd.	232	392	388
45.	Scooters India Ltd.	(—)248	(—)248	(—)327
46.	Hindustan Latex Ltd.	19	30	20
47.	Modern Bakeries (I) Ltd.	23	43	18
48.	Banana & Fruit Dev. Corpn.	(—)35	(—)35	(—)40
49.	Central Warehousing Corpn.	251	292	170
50.	Cotton Corpn. of India Ltd.	131	291	188
51.	HMT International	22	22	19
52.	Handicrafts & Handlooms Export Corpn.	112	112	75
53.	Indian Motion Picture Export Corpn.	8	8	—
54.	Jute Corpn. of India	27	68	67
55.	Metal Scrap Trade Corpn.	10	30	16
56.	Mica Trading Corpn.	9	21	2
57.	Minerals & Metals Trading Corpn. of India	1667	4905	2992
58.	Projects & Equipment Corpn.	75	242	120
59.	State Chemicals & Pharmaceuticals Ltd.	137	492	—
60.	SAIL (International) Ltd.	120	460	101
61.	State Trading Corporation of India	1480	3202	1455
62.	Air-India	1759	1759	635
63.	Indian Airlines	2064	2074	780
64.	Air-India Charters Ltd.	(—)1	(—)1	(—)2
65.	Mineral Exploration Corpn.	105	105	(—)73
66.	Indian Railway Construction Co.	(—)10	(—)10	—
67.	Indian Road Construction Co.	(—)2	(—)2	—
68.	Engineers Indian Ltd.	122	227	130
69.	Engineering Projects India Ltd.	39	39	13
70.	Metallurgical & Engg. Consultants of India Ltd.	92	92	57
71.	Rail India Technical & Economic Services Ltd.	12	12	4
72.	Delhi State Industrial Dev. Corpn. Ltd.	15	15	4
73.	Hotel Corpn. of India Ltd.	(—)7	(—)7	(—)88
74.	India Tourism Dev. Corpn. Ltd.	74	133	77
75.	Housing & Urban Dev. Corpn. Ltd.	234	234	(—)16
76.	Rural Electrification Corpn.	388	780	724
77.	Hindustan Photo Films Ltd.	143	143	16

N.B. : All new companies making profits are shown in the list.

Enterprises Whose Profitability has Shown a Decline as Compared to the Previous Year

(Rs in lakhs)

Name of enterprise	1976-77 Loss after tax	1976-77 Loss before tax	1975-76 Loss before tax
(1)	(2)	(3)	(4)
Indian Iron & Steel Co Ltd.	(—)1475	(—)1475	(—) 672
Bharat Refractories Ltd.	(—) 23	(—) 23	(—) 22
Bolani Ores	(—) 65	(—) 65	(—) 41
Hindustan Zinc Ltd.	268	268	356
National Mineral Dev. Corpn.	(—) 177	(—) 177	68
Bharat Coking Coal Ltd.	(—)2152	(—)2152	—
Eastern Coal Fields Ltd.	(—)2286	(—)2286	—
Western Coal Fields Ltd.	(—) 156	(—) 156	—
Hydro Carbons India (P) Ltd.	(—) 40	2043	2372
Fertilizer & Chemicals (T) Ltd.	(—)1396	(—)1396	(—)1284
Fertilizer Corpn. of India Ltd.	(—)3445	(—)3445	(—)2456
Sambhar Salts Ltd.	(—) 27	(—) 27	20
Cochin Refineries Ltd.	133	202	411
Indo-Burma Petroleum Co.	39	76	146
Madras Refineries Ltd.	132	489	570
Oil & Natural Gas Commission	3802	3802	3821
Cement Corpn. of India Ltd.	1	1	23
Hindustan Insecticides Ltd.	37	98	148
Hindustan Salts Ltd.	—	7	18
Indian Petro Chemicals Corpn. Ltd.	749	1284	1447
Mining & Allied Machinery Corpn.	35	35	40
Triveni Structurals Ltd.	7	7	26
Bharat Dynamics Ltd.	6	6	10
Electronics Corpn. of India Ltd.	33	138	174
Hindustan Machine Tools Ltd.	491	821	822
Bharat Pumps and Compressors Ltd.	(—) 121	(—) 121	(—) 45
Biecco Lawrie Ltd.	(—) 38	(—) 38	(—) 14
Contral Electronics Ltd.	(—) 35	(—) 35	(—) —
National Instruments Ltd.	(—) 40	(—) 40	3
Richardson & Cruddas Ltd.	16	16	28
Cechin Shipyard Ltd.	(—) 14	(—) 14	—
Hindustan Aeronautics Ltd.	532	922	946
Mandya National Paper Mills Ltd.	(—) 59	(—) 59	30
Tannery and Footwear Corpn. of India	(—) 202	(—) 202	(—) 28
National Newsprint and Paper Corpn.	94	94	114
National Seeds Corpn.	28	90	254
State Farms Corpn.	(—) 116	(—) 116	(—) 18
Cashew Corpn. of India	113	278	466
Central Cottage Industries Corpn. of India.	(—) 13	(—) 13	—
Central Fisheries Corpn.	(—) 37	(—) 37	16
Computer Maintenance Corpn.	(—) 5	(—) 5	—
Electronics Trade & Technology Dev. Corpn.	2	4	8
(1)	(2)	(3)	(
Food Corporation of India.	107	239	
Tea Trading Corpn.	14	23	
International Airports Authority of India	92	332	
Mogul Line Ltd.	(—) 400	(—) 394	(—)
Shipping Corpn. of India	365	431	1
Hindustan Housing Factory Ltd.	(—) 64	(—) 64	(—)
Hindustan Steelworks Constn. Corpn.	161	161	
National Buildings Construction Corpn. Ltd.	27	56	
National Projects Construction Copn.	—	—	
National Industrial Dev. Corpn.	6	6	
Water & Power Dev. Corpn.	23	23	
National Small Industries Corpn.	(—)72	(—) 72	
Film Finance Corpn.	1	1	
Bharat Ophthalmic Glass Ltd.	(—) 78	(—) 78	(—)
Rehabilitation Industries Coprn.	(—) 140	(—) 140	(—) 1

Figures for 1975-76 of Coal India included all subsidiaries also.
All new companies making loss in 1976-77 are shown in this list.

Return on Capital Employed

	Gross profit (Rs crores) 1976-77	Capital employed (Rs crores) 1976-77	gross pr fit to capital employ 1976-77
I. Enterprises Producing Goods			
Steel	118.80	2005.72	5.9
Minerals & Metals other than coal	20.25	495.05	4.1
Coal	7.31	742.95	1.0
Petroleum	208.93	800.83	26.1
Chemicals & Pharmaceuticals	7.83	719.37	1.1
Heavy Engineering	118.94	817.55	14.5
Medium & Light Engineering	56.66	377.03	15.0
Transportation Equipment	37.85	441.08	8.6
Consumer Goods	4.28	60.01	7.1
Agro-based Products	0.13	12.82	1.0
Total	510.98	6472.44	9.0
II. Enterprises Rendering Services			
Trading & Marketing Services	346.59	2668.54	13.0
Transportation Services	85.80	1036.07	8.3
Contracts & Construction	5.56	54.14	10.3
Industrial Development and Technical Consultancy Services	4.27	68.01	6.3
Small Industries Development	2.32	43.12	5.4
Tourist Services	2.46	29.03	8.5
Financial Services	25.59	490.10	5.2
Total	472.59	4389.00	10.8
Total of All Running Concerns	1053.57	10861.41	9.7

Resources Generation During Plan Periods

(Rs in crores)

	No. of enterprises	Depreciation	Retained profits	Total
(a) **Gross Internal Resources**				
(i) Fourth Plan target		896	369	1205
(ii) Actual resources generated				
Year				
1969-70	47	146	48	194
1970-71	55	149	55	204
1971-72	68	169	46	215
1972-73	75	193	67	260
1973-74	84	233	154	387
Total		890	370	1260
(iii) Achievement of Plan target		99.3%	100.3%	99.6%

(iv) No of enterprises		Fifth Plan target for the first three years	Achievement
1974-75	91	Rs 1915 crores	580 crores
1975-76	98		526 ,,
1976-77	101		719 ,,
			1825

Thus in the firstthree years of the fifth Plan actual achievement was 113 per cent of target.

(Rs in crores)

Year	Dividends	Interest on central govt loans	Income tax	Excise duty	Total
(b) **Resources Generated and Contributed to Central Government Exchequer**					
Fourth Plan					
1969-70	12	104	19	347	482
1970-71	14	104	23	394	535
1971-72	15	121	41	438	615
1972-73	16	124	63	514	717
1973-74	13	111	84	563	771
Total	70	564	230	2256	3120
Fifth Plan					
1974-75	20	133	129	848	1130
1975-76	21	172	177	998	1368
1976-77	50	221	237	1089	1597

The significant spurt in growth rate of internal resources in the last three years was mainly due to sustained improvement in the financial performance of public enterprises.

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(Rs in crores)

Year	Retained by the enterprises	Contributed to the exchequer	Total
(c) Total Resources Generated and Contributed to the Central Exchequer			
1969-70	194	482	676
1970-71	204	535	739
1971-72	215	615	830
1972-73	260	717	977
1973-74	387	771	1158
Total	1260	3120	4380
1974-75	580	1130	1710
1975-76	526	1368	1894
1976-77	719	1597	2316

Groupwise Turnover : 1974-75 to 1976-77

(Rs in crores)

	1976-77	1975-76	1974-75
Enterprises Producing and Selling Goods			
1. Steel	1425	906	1058
2. Minerals and Metals			
(a) Other than coal	212	176	
(b) Coal	662	535	519
3. Petroleum	4625	3083	2943
4. Chemicals and Pharmaceuticals	562	474	410
5. Heavy Engineering	720	567	405
6. Medium and Light Engg	389	347	247
7. Transportation Equipment	324	310	261
8. Consumer Goods	74	64	47
9. Agro-based Enterprises	28	27	20
Total	9021	7089	5910
Service Enterprises			
10. Trading and Marketing Services	4527	3841	3681
11. Transportation Services	706	556	453
12. Contracts and Construction Services	126	98	80
13. Industrial Development and Technical Consultancy Services	85	40	25
14. Small Industries	25	27	32
15. Tourist Services	24	18	14
16. Financial Services	28	19	12
17. Rehabilitation of Sick Industries	—	—	10
Total	5521	4599	4307
Grand Total	14542	11688	10217

Foreign Exchange Earnings During 1974-75 to 1976-77

(Rs in crores

	1976-77	1975-76	1974
Value of foreign exchange earned by			
(a) Sale of goods	423	221	
(b) Sale of services	409	310	2
(c) Exports earnings of markting companies	1416	1005	7
Total	2248	1536	1

Foreign Exchange Earnings During 1976-77, 1975-76 and 1974-75

(Rs in lakhs

	1976-77	1975-76	1974-
I. Foreign Exchange Earnings Through Exports			
Steel	20772	6057	9
Minerals and Metals	7153	5156	36
Petroleum	6026	7086	70
Chemicals & Pharmaceuticals	175	144	
Heavy Engineering	2850	1144	10
Medium and Light Engineering	1856	1082	6
Transportation Equipment	2250	778	9
Consumer Goods	182	223	
Agro-based Industry	17	113	
Development of Small Industry	255	121	
Rehabilitation of Sick Industry	—	—	
Industrial Development and Technical Consultancy	809	213	1
Total (I)	42345	22117	1442
II. Foreign Exchange Earnings Other than Through Exports			
Minerals and Metals	336	—	
Petroleum	322	322	17
Chemicals & Pharmaceuticals	20	1	
Transportation Equipment	797	533	74
Heavy Engineerings	62	193	23
Medium and Light Engineering	84	12	-
Transport Services (Air)	22856	17754	1115
Transport Services (Sea)	14183	11712	1018
Tech. Consultancy Services	1418	143	2
Tourist Services	528	323	27
Trading and Marketing	266	—	-
Total (II)	40872	30993	2280
III. Exports Earnings of Marketing Companies	141589	100453	7412
Total Foreign Exchange Earnings (I+II+III)	224806	153563	11135

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Editor : V. Balasubramanian
Registered at the GPO, London, as a newspaper

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Regd. No. D (C) 257
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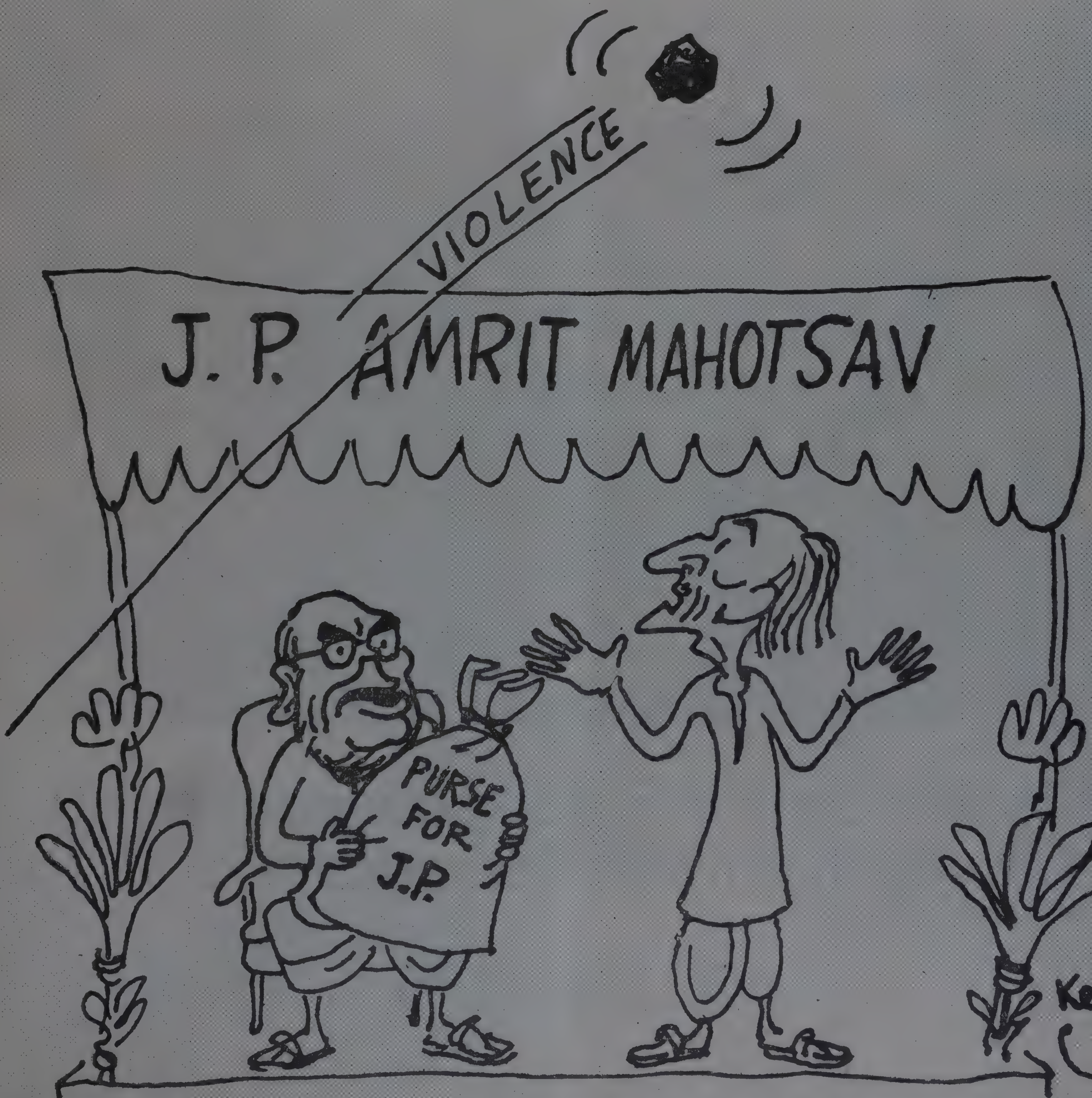
Vol. 70 MARCH 24, 1978 No. 12



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Questions and answers

THE DEBATE on the budget, whether inside parliament or outside, is proceeding on familiar lines towards foregone conclusions. The critics are attacking without hope and the Finance minister is defending without conviction. Mr H.M. Patel, of course, has several talking points. Is it wrong to spend more on agriculture and rural development? If it is not, does it not follow that the annual plan outlay should be pushed up? If the outlay is to be increased, can it be done without the budget taking steps to augment public revenues? Can revenues be pushed up without resorting to a combination of deficit financing and additional taxation? If more taxes are to be levied, would it be proper to spare the income-tax assessees completely when they come within the relatively affluent sections of the community or is it even possible not to increase the burden of indirect taxation when it is the most important and practical source of large additions to tax receipts?

Thus the time-worn, if not time-honoured, series of rhetorical questions, which Finance ministers have been hurling at the hapless public ever since planning began 26 years ago. Not that answers are not being given. As a matter of fact, they have been answered as steadily and regularly as the questions have been repeated and the long and the short of these answers is that there is really no means of financing economic growth and stability except through economic policies, including fiscal policies, which will steadily build up the savings of the community and other investible resources. So long as there is no such strategy of development, budgetary exercises, particularly the tax parts of them, can be no different from the exertions of some miserable reptile trying to feed itself by swallowing its own tail.

The Associated Chambers of Commerce and Industries at its recent annual meeting in New Delhi tried to tell this truth in the language, naturally, of business diplomacy. Its outgoing president, Mr A.W.B. Hayward, in particular was at pains to point out that the latest tax measures did not seem to respect the Finance minister's own dictum that "taxes must have an inbuilt growth potential and inherent buoyancy". There has always been more politics than philosophy in taxation and the grammar of public finance is replete with its own arcana. Nevertheless, it is common knowledge and even more common experience that neither the multiplicity of taxes nor the continuous putting up of tax rates is a reliable recipe for a dynamic tax structure. It is because this voice of reason is being ignored all the time that taxation is fast exhausting itself as a significant means of mobilizing additional resources for development.

In parliament, criticism of the budget has been made, in the main, on two counts. The first is that the Finance minister has not done enough for agriculture in his financial allocations. This attack is, of course, pure demagogy. The budget does make large and increased provisions for many major areas of farm and rural development. The real issue here is whether the state governments, which will have to spend most of the funds, will be able to do so promptly and efficiently in the immediate or the near future. Apart from the adequacy or otherwise of the administrative or other organizational infrastructure, what must really worry us here is the prevailing political tensions and their impact on the ability of the state governments to address themselves to basic development programmes where new ground will have to be broken.

The Janata party unfortunately has not been able to equip the governments in states such as Uttar Pradesh, Bihar and Madhya Pradesh, with a calibre of leadership that can command public confidence or the respect of the people. Since these are also the states which are vulnerable to the kind of confrontation politics which the Indira Congress seems determined to practise, the outlook for the efficient implementation of plan projects or programmes in these regions is not very bright. Moreover, the central government is likely to be plagued by the contrary views that may be projected by many state governments, particularly those of West Bengal, Maharashtra, Andhra Pradesh and Karnataka, which may decide that there is political capital to be made out of non-conformism with New Delhi. Viewed in this context, Mr Patel cannot be accused of having erred on the side of canservatism in the budget outlays on agriculture or rural development. If, at the end of the new financial year, it is found that the provisions made for such programmes as minor irrigation, rural roads, water supply, dairy development and the promotion of small-scale industries have not been fully utilised in a productive manner, the central and state governments will have desired well of the country.

The other main criticism of the budget in parliament has been that there has been no proper planning at all of the new levies or increases in rates in the area of commodity taxation. This is a line of attack against which the Finance minister has really no defence. Especially in view of the fact that he has had the advantage of the Jha committee recommendations on the realization of central excise taxes, Mr Patel has been tiredly and tiresomely repeating that the indirect imposts will not appreciably raise costs or prices. For a cynical public, accustomed to this kind of soothsaying coming after every budgetary exercise in raising excise duties, the Finance minister's contention cannot even have an entertainment value. The phrase "the cascading effect" of commodity taxes has become far too firmly established even in the vocabulary of the layman, thanks not only to the Jha committee.

Appropriate technology & industrial development

THE INDUSTRIAL policy of the Janata government announced in December last year advocated effective promotion of cottage and small-scale industries "widely dispersed in rural areas and small towns". It extended the list of industries reserved for the small-scale sector from 180 items to 500 items. The basic aim of the new policy, it was stated, was to change the policy adopted by the earlier Congress government which had laid stress mainly on large industries neglecting cottage industries completely and relegating small industries to a minor role. The previous regime was also blamed for not encouraging the development and application of technology appropriate to the socio-economic conditions prevailing in the country.

At a recent seminar held in the capital under the auspices of the United States, Information Services where both Indian and American specialists participated, the question of appropriate technology came up for a full debate even though the subject under discussion was "Technology, Development and Social Change". Dr A. Ramachandran, secretary to the government of India department of Science and Technology, posed the question as to how the element of dynamism could be injected into traditional societies without the consequential social upheaval. He argued that if the fears about "environmental imbalances" due to technological advances were well founded, then the only option left was to control technology, and it would be up to the sociologists to prepare blue-prints for a society in which industrial production and the application of technology is under direct social control. He further said that values being subordinate to technique, it was for the social scientists to study in depth the mechanisms that would allow the developing societies to maintain social equilibrium while furthering technological advance. In short, he wanted the third-world countries to chart their own courses of action while determining the choice and application of technology in their own processes of industrialisation. In this way, instead of providing a direct answer to the question of appropriate technology, he passed the responsibility in this regard on to the social scientists.

It was Dr Thomas R. De Gregori of the
University of Houston who came to
with the problem and described the
"appropriate technology" as a r
dancy. "By our definition, if it i
appropriate it is not technology," sai
De Gregori. He attacked the assum
that technology means "material
gets". If the gadgets fail, then the g
technology is supposed to have f
Said Dr De Gregori: "The very t
used beg the question. Appropriate
nology is appropriate to what? Intern
ate technology is intermediate bet
what, that technology which is to
and that which is too small? And w
small beautiful?" Instead of a theor
appropriate technology, what is need
a conceptualization of a theory of tec
logy as a problem solving process
thereby embodies the concept of ap
priateness within it, added Dr De Gre
He saw nothing humane about choo
less efficient means for problem solv
In his view, societies deeply committe
past binding traditions are the ones
deeply mired in poverty. It is the soci
attuned to the principles of science
technology which have gone the fart
in eliminating poverty and many disea

basic value questions

Dr K.K. Murthy from NITIE, Bom
drew attention to the shattering of
belief that change was progress, that
new was better, that fulfilment will c
with affluence. Increasingly it was da
ing upon mankind that resources were
infinite, that markets were not necessa
open and that technology was always a b
sing. He put forward the thesis that "
answer to the present predicament
neither with the technological optim
nor with the neo-Malthusians, but in "
resolution of basic value questions ab
man's place in nature and the meanin
human life." And the solution offered
him was in the improvement of hum
values through "elimination of gre
pride and violence". So, what had star
as a discussion on the economic pl
ended in an entirely different domain.

While the debate on the efficacy
appropriate technology continue, th
are agencies all over the world wh
have drawn attention to the differe

between the modern and appropriate technologies in specific cases. One such example is the World Bank's effort to develop a manually-operated hand-pump for lifting irrigation water. The diesel pumps currently available cost about $1300 a piece and create maintenance problems. The new irrigation pump which is at the prototype stage is made of cheap, corrosion-resistant plastic and will cost not more than $100. Since it will work with human labour, it will not need any fuel and will thus put no strain on the country's foreign exchange resources and the world's energy problem. The USA has also taken interest in the evolution of appropriate technology; it has set up a non-profit corporation—AT International—for this purpose.

Broadly, the participants agreed with Dr De Gregori that technology is a process and that it does not consist in imitation or transfer without regard to the capabilities of the recipient. The aquisition of jumbo jets by some of the newly-free countries in Africa is hardly advisable because they do not have either their own teams of pilots or the engineers to service them. Again, it is wrong to look at appropriate technology as anything more than a tool to solve a problem at a point of time. The whole question of appropriate technology needs to be looked at in the context of the goals set. In certain situations such as the establishment of electronics industry, the most sophisticated technology could also be the most appropriate technology. To say that the primitive, outmoded technology is the most suitable for developing societies is an open invitation to the perpetuation of poverty. In the name of creating increased employment opportunities for the unemployed, it could permanently land a developing economy into the mire of poverty.

The budget deficit

The emergence of an overall deficit of Rs 975 crores in the revised estimates for 1977-78 as compared to Rs 84 crores (Budget) and a formidable deficit of Rs 1,396 crores in the budget estimates for 1978-79 had a jolting effect on the stock market initially as it was feared that the budgetary position of the central government had deteriorated seriously and restrictive measures might be adopted by the Finance minister for controlling inflationary pressures apart from savage additional taxation. A closer scrutiny of the budget estimates, however, indicates that the central exchequer was in a comfortable ways and means position in 1977-78.

As the Finance minister, Mr H.M.Patel, has explained, the enlargement of the deficit to Rs 975 crores in the current year (1977-78) is mainly due to the decision to avoid taking credit for a loan of Rs 800 crores from the Reserve Bank out of foreign exchange reserves. It had been hoped that there would be a drawing down of these reserves, with an excess of imports over exports and the rupees withdrawn from circulation against the purchase of foreign exchange by importers could be utilised by the government for budgetary purposes. What was contemplated was the use of counterpart funds generated by larger expenditure in foreign exchange. As the expectations in this regard did not materialise it was decided not to take credit for Rs 800 crores as loan from the Reserve Bank as stated above.

The Finance minister has wisely avoided taking credit for this loan as in the absence of net withdrawal from foreign exchange reserves there would have to be expansion of currency against foreign securities which would have the same effect if currency had been expanded against ad hoc securities. The decision in this regard should have been taken only recently as the Reserve Bank had laid the ground for any technical adjustments that might be proposed by the government by transferring foreign securities for about Rs 700 crores to the Issue department from the Banking department in the latter half of 1977. The expansion of currency had already been effected for normal purposes and for meeting also the requirements of the government. It has been thought advisable to adopt a straight approach and not camouflage the budget deficit by bringing it down to Rs 175 crores after taking credit for Rs 800 crores.

An analysis of the deficit, however, reveals that the over-run in expenditure was not on central account. Actually, even with a shortfall in tax receipts by Rs 100 crores aggregate revenue receipts are estimated to be higher by Rs 236 crores. The increase in expenditure was of the order of Rs 256 crores and it has been explained that there was no significant rise in non-Plan expenditure even with the grant of additional dearness allowance to employees, larger subsidies and the like. In fact, the bulk of the increase was due to a larger outgo of Rs 2,101 crores by way of grants-in-aid against Rs 1,914 crores (budget). The revenue surplus is therefore lower at Rs 35 crores against Rs 55 crores. It is unlikely that there will be any shortfall in tax receipts especially as there is a drive for collections and some advantage also will accrue to the government out of the new excise levies now proposed by the Finance minister, which have become effective immediately.

main upset

The main upset however has come about because of a big increase in capital disbursement and a shortfall in receipts due to considerably reduced net foreign aid and the decision to avoid taking credit for the loan of Rs 800 crores, as stated above. The shortfall in capital receipts would have been more pronounced but for an increase in the net amount mobilised through open market loans to the extent of Rs 183 crores. The actual amount raised could have been much more as the money market had been extremely comfortable in February and March and in 1976-77 there were two reissues for Rs 100 crores in February 1977 and again two reissues for Rs 85 crores in March 1977. The reissues could have easily been for Rs 300 crores in February/March this year, in which case the deficit could have been reduced to Rs 675 crores. However, the Finance ministry has desired to husband available resources and take a larger credit for net borrowing in 1978-79 to which reference will be made later.

The deliberate decision to leave an uncovered larger deficit of Rs 975 crores, may also be due to a feeling that the revised estimates of receipts will be higher when the accounts are finalised. It is not clear why net foreign aid has been taken only at Rs 481 crores against Rs 894 crores (budget). The actual receipts may be of much larger dimensions. With the possibility also of larger revenue receipts, aggregate revenues may be higher by Rs 300 crores. It will, therefore, be seen that the deficit has been exaggerated considerably especially as there will also be a larger contribution from the Railways, and a net reduction in its indebtedness, in the final accounts. Apart from these factors which have been responsible for giving frightening impression of the overall deficit for the current year, it is pertinent to point out that the net debt burden of the central government has not increased significantly. This is because there is a provision of Rs 100 crores as technical credit to countries conducting trade on a rupee payment basis. This amount will be reimbursed over a period as credits are provided only for meeting difficulties that might arise when there are temporary deficits for the importing countries.

centre's deficit

A sum of Rs 190 crores has also been mobilised on account of increasing stocks of supply. Again, additional assistance for Rs 414 crores has been extended to state governments. The increase on these counts alone is Rs 704 crores. The centre's share of the enlarged deficit is therefore only Rs 271 crores, and this could have been easily wiped out with larger net borrowing. Even otherwise the actual deficit may be very much less as in previous years due to larger receipts and shortfalls in expenditure.

The larger gap in 1977-78 has naturally resulted in emergence of a considerably enlarged deficit in 1978-79 especially as the revenue receipts are depressed. It has also been decided to avoid taking credit for loans in foreign currency from the Reserve Bank. The target for net borrowing through open market loans could have been fixed much higher while there is reason to believe that the estimates of revenue have been conservatively framed. The increase in the Plan outlay and larger central assistance besides a higher level of Defence expenditure have of course been responsible for larger revenue and capital disbursements. It remains to be seen whether the Plan outlay for Rs 11,649 crores in the central and state sectors will be achieved in 1978-79 when the Finance minister has admitted that there was a shortfall of Rs 230 crores in the central account in 1978-79. While it remains to be seen what has been the actual outlay in 1977-78, the larger allocations can be utilised in 1978-79 only if government machinery is suitably geared for this purpose.

In view of the scope for large receipts and difficulties in effecting disbursements, Mr Patel could have refrained from resorting to massive taxation as some of the imposts are unscientific in character and will lead to price distortions. The excise duty on coal yielding Rs 58 crores has no justification and a straightforward increase in coal prices would have been excusable after the collieries have taken measures to increase productivity and achieve economies. The impact of higher coal prices on industries will be the same whether a duty is levied or higher prices are charged. The duty of two paise on electricity is wholly unimaginative as the states are sore about this levy. Besides, the incidence is ex mely regressive as it creates serious diffi lties for the producers of caustic so calcium carbide, aluminium and ot items requiring large quantities of pow While it is not clear how the duty will levied and the increase in costs can passed on to the consumers, the ceme and fertiliser units are worried about t adjustments in selling prices as the co currence of the government is needed.

Similarly the surcharge of five per ce on basic excise duty is wholly irration as it heightens the anomalies that alrea exist. It is, therefore, expected that t government will make some concessio during the debate on the Finance Bill an the harsh features will be modified thoug not eliminated. It must of course b stated that the abolition of levy on intere income derived on bank advances wa completely unexpected as heavy loss o revenues is involved. The follow-u action in respect of a lowering of lendin rates has been quickly taken by th Reserve Bank and even adjustments hav been made in deposit rates. This mov has given rise to the feeling that ther will be a retreat from dear money and th industries can hope to effect considerabl savings in interest charges on working capital and even on term loans.

The Finance minister can, therefore, prune his tax proposals to afford a relief of

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Eastern Economist 30 Years Ago

MARCH 26, 1948

It is a pleasant surprise, indeed, to know on the authority of the Chairman of the Indian Mining Association that the coal raisings in this country during the year 1947 were over three-quarters of a million tons higher than in the previous year totalling over 30 million tons. To a country desperately short in industrial, agricultural and almost in every other sphere of production, this note of optimism with regard to a basic industry has more than a passing importance. It will be, one hopes, a turning point. It is also reassuring to learn from the same authority that in all the more important aspects of the industry there was better and closer co-operation and understanding between all those concerned, including the government departments. The industry has its own pack of stresses, strains and difficulties, but could work smoothly in spite of them on account of the mutual adjustment referred to above. The problem of despatches of coal from the pit-heads was one of those strains which agitated the industry earlier during the year and the functioning of the Railway department came to be criticised sharply in that connection. Over the year, it would appear, despatches were four and three-quarter million tons below raisings, but since August the position is given to have changed appreciably for the better.

s 200 crores. It has of course been ointed out that the hike in the rates of ompulsory deposit will make a mockery f even the meagre concessions for increang approved savings while there is no ustification for amending the provision elating to reinvestment of long term apital gains which came into effect only n 1977-78. Even if the deficit increased o Rs 1,250 crores from Rs 1,050 crores s a result of fresh concessions, the evenual deficit may be considerably less. The target for net borrowing can be much igher than Rs 1,650 crores as the banks lone can invest Rs 1,500 crores in central overnment securities. If the impounding of 10 per cent of incremental depoits could be discontinued and the cash eserve ratio also reduced, the banking ystem could provide even Rs 2,000 crores while the LIC and other institutions would have large investible resources. Gold sales can fetch Rs 400/500 crores while there can be larger additions to postal deposits with the better attraction in interest rates. As there will also be a shortfall in expenditure the actual deficit will not be forbidding in any sense. The only difficulty will relate to the use of foreign exchange reserves. It is needless to say that a substantial increase in imports can be achieved only if there is higher level of economic activity and the pool of goods and services has to be augmented with an improvement in industrial activity, and a larger demand for consumer goods. Mr Patel has no dearth of resources and there is no need for savage taxation. What is needed is a dynamic policy for using available resources fruitfully and hastening economic development. In this process additional resources can be raised and the spread effects can be truly favourable and equitable.

Impact on exports

THE FINANCE minister emphasised in his budget speech the need to step up exports substantially even though the foreign exchange reserves continue to show a rising trend. He said that the balance of payments remained strong but export growth had slackened considerably due mainly to he sluggishness in the world economy, a steep decline in some commodity prices and fall in the demand for certain products. He suggested that we should strengthen the export organisation that had been built up and the image that had been created while, at the same time, improving the competitiveness of our exports. It seems strange therefore that while the minister stressed the importance of enhancing our export image, he has withdrawn the weighted deduction in respect of expenditure incurred on the development of export markets. He said that he did not see "adequate justification" to subsidise such expenditure by the grant of weighted deduction. This facility had considerably helped our export industries to find new markets for traditional goods and promote the export of a wide range of non-traditional goods.

Mr Patel himself admitted that the "export demand has sustained to significant extent industries such as engineering, leather, iron and steel, textiles and sugar" and he referred to the "relative freedom and manoeuvrability which growing export earnings have given to policy making". The government of India recently liberalised the release of foreign exchange for export promotion tours. It is unfortunate therefore that the Finance minister has now made it difficult for industries to intensify their export drive.

The Finance minister spoke about the "excellent market for Indian gold jewellery abroad" and he announced the government's decision to introduce a simplified scheme for encouraging its export and to permit the import of gold or its sale from government stocks at international prices. Indian jewellery is sold in several countries of Europe, America and Asia and, with better publicity and imaginative sales promotion, it should be possible to step its export especially to west Asia. The discontinuance of the weighted deduction on expenditure on exports therefore is all the more inopportune.

It would have been unrealistic to expect the Finance minister to provide tax concessions to specific industries for export promotion when he is faced with a huge deficit in the budget. But he should have given at least a strong stimulus to industries to enable them to step up production, cut costs and improve their competitive capacity. Industrial production in 1977-78 is estimated to show an increase of only five to six per cent which is much less than in 1976-77. This is attributed mainly to the scarcity of power and the increasing labour unrest. But it has also been caused by the lack of demand for the products of several industries. It is worth noting that the decline in industrial production in certain sectors has affected the exchequer. In the revised estimate for 1977-78 the revenue from income and corporation taxes shows a shortfall of Rs 36 crores and the union excise duties are likely to yield Rs 140 crores less than the budget estimate of Rs 2336 crores and Rs 4593 crores, respectively.

accelerating growth

Mr Patel said that we could not be satisfied with the present rate of growth of industrial production and he stressed the need for accelerating it. This is essential not only for generating more employment and more revenue and for maintaining price stability but also for augmenting exports. If industrial production does not pick up rapidly and substantially, it may result in shortage and affect exports. But it is feared that the increase in the excise duty on a wide range of goods, particularly the levy on coal and electricity, is likely to hurt production, inflate costs, and ultimately have an adverse impact on the competitiveness of many of our industries.

The minister said that he had taken note of "the significant suggestions" in regard to customs duties made by the Jha committee and that, as a measure of relief and in order to bring down capital costs, he had reduced the customs duties of capital equipment, not produced indigenously, from the current level of 40 per cent to 25 per cent. But this reduction applies only to certain items of machinery for leather and garment industry, for oil exploration, and some categories of machine tools, testing machineries and instruments. The loss of revenue on account of this reduction in import duty is Rs 9 crores a year.

In the revised estimate for 1977-78, the yield from customs revenue is expected to show an improvement of Rs 52 crores over the budget estimate of Rs 1728 crores. Therefore, surely, the Finance minister could have lowered the import duty on more capital goods so that the industries concerned, especially the export-oriented ones, would have the incentive and the resources to carry out their schemes of modernisation and expansion.

The budget has increased the total outlay on the annual plans to Rs 11,649 crores in 1978-79 from Rs 9,960 crores in the preceding year. The outlay on agriculture has been raised by Rs 490 crores to Rs 1,754 crores and on fisheries from Rs 33 crores to Rs 61 crores. The larger provision for these activities should help to improve production and increase the availability for exports of various kinds of agricultural and marine products, provided the funds are utilised promptly and effectively. Mr Patel spoke of the "leisurely pace" of execution of electricity projects. He should therefore take special care to ensure that the plan outlay does produce a beneficial impact both in the industrial and the agricultural sectors.

Mr Patel stressed the need to review and reduce the various subsidy payments in the light of their continued relevance in the present economic situation. But, so far as exports are concerned, caution is necessary while cutting or stopping the subsidy. The government is, of course, justified in doing so where industries can compete on their own but where it becomes difficult to sell the goods abroad and the potential for export is large, subsidy should not be grudged merely on revenue consideration. Mr Patel revealed that non-plan expenditure, excluding defence, is likely to exceed the budget estimate of Rs 5,436 crores by 118 crores, of which Rs 84 crores is under export promotion. He attributed this main "a spill over of payments pertaini 1976-77 and the introduction in the cu year of a system of quicker disburse of assistance to exporters". It is goo hear of the government's proposa ensure prompt payment of assistan exporters. It remains to be seen to extent exporters will actually benefit the new procedure.

Mr Mohan Dharia, the Comm minister, recently said due to the pr tionist policies followed by devel countries, the exports of several i such as iron ore and textiles had reached their potential and that the tribution of capital goods to the engineering goods had not displayed significant upward trend. There is th fore an imperative need for governm and industry to work in close coopera with each other in achieving a higher of growth in exports. So far as government is concerned, it is particul important that the union ministries Finance and Commerce should func with proper understanding in all mat relating to export promotion.

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INLAND : Rs. 125.00 FOREIGN : £ 15.00 or $ 30.00

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Price per copy Rs. 2.50

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CAPITAL'S CORRIDORS

R. C. Ummat

NDC deliberations • Patel defends budget proposals • Electricity generation costs

Did the National Development Council which met here last week-end to approve the new five-year Plan, envisaged to be mplemented with effect from April 1, do so? The press reports suggest that the Plan was not fully adopted by the NDC and it has to be reviewed further. The Planning Commission, on the other hand, has stressed that the NDC approved the basic objectives behind the Plan.

Ostensibly, the press reports contradict the claim of the Planning Commission. A closer scrutiny, however, shows that the contradiction is more apparent than real.

incomplete document

A perusal of the documents released on Monday reveals that the draft Plan as placed before the NDC, after being approved by the union cabinet, was not a complete document. It contained only the basic philosophy behind the Plan and the overall framework and sectoral allocations. The state-wise break-ups of the overall sectoral outlays were not there in it; they have yet to be decided upon in consultation with the state governments. This can be done only when the report of the seventh Finance Commission, which is currently going into the question of central assistance to the states for Plan purposes, is available. In such circumstances, it was presumptuous to assume that the next Plan could be adopted by the NDC in its entirety.

A new dimension, however, was added to the postponement of the adoption of the Plan beyond the first year's programmes, which had already been finalised in the recent months after discussions with the state governments, as they had to be launched with effect from April 1, by the plea of several state chief ministers for a thorough review of the centre-state fiscal and financial relations.

Another meeting of the NDC will, therefore, be held later this year to adopt the Plan. By that time not only the state-wise break-ups would have been decided upon and the report of the seventh Finance Commission would be available but also a special committee of the NDC, agreed to be set up at the last week's meeting to consider in depth the draft Plan and the centre-state financial and fiscal relations, would have reported.

That the centre-state financial and fiscal relations dominated the discussion of the NDC meeting was hardly surprising in view of the changed political situation in the country. As mentioned earlier in this column a couple of weeks ago, several state chief ministers have been pleading for greater financial autonomy, the prominent among them being those of West Bengal, Jammu and Kashmir, Kerala, Tamil Nadu, Karnataka and Andhra Pradesh. They have also received support for this plea from the chief minister of Punjab, though his party is at present aligned with the Janata party.

CMs' meet

Addressing newsmen after the meeting of the NDC, the chief ministers of Punjab and West Bengal disclosed that the chief ministers and Finance ministers of about a dozen states would meet in a convention some time towards the end of next month at Chandigarh to deliberate upon the fiscal and financial relations between the centre and the states. The plea for greater fiscal and financial autonomy for the states is based on the feeling that the existing arrangements are heavily weighted in favour of the centre. Although the prime minister, Mr Morarji Desai, asserted that the strength of the states lay in the strength of the centre and that of the centre in that of the states and the existing arrangements regarding fiscal and financial rights of the states and the centre had been arrived at after periodic bestowing of thought on the issue by the several finance commissions and the Administrative Reforms Commission, he yielded to the plea of the state chief ministers for a review of these rights in the best traditions of democracy.

Some chief ministers also criticised the concept of rolling plan on the ground that it would provide an alibi for making changes in targets and allocations. The prime minister, however, stressed that the new concept would instead strengthen the planning process and make it more flexible and credible.

basic objectives

The NDC endorsed the basic objectives of the new five-year Plan, which are elimination of unemployment in the next ten years, significant increase in the standard of living of the people below the poverty-line, provision of a large number of public goods and services to the masses with a distinctively rural bias and continuous progress towards self-reliance. It approved increases in the allocations for agriculture, rural development, irrigation and power and rural, village and small-scale industries. These larger allocations alone, it however observed, would not benefit the poorer sections automatically unless necessary institutional and administrative changes were made to ensure that the benefits, indeed, reached those for whom they were intended.

The new Plan, as it stands at present, proposes a total outlay of Rs 116,240 crores, of which the public sector outlay would Rs 69,380 crores. The rate of growth envisaged during the Plan period is 4.7 per cent per annum. It is expected that potential would be built up by the end of the Plan for an annual growth of 5.5 per cent.

The highest priority in the Plan has been accorded to the employment-intensive and self-employed sectors and on making other sectors more labour-intensive. To achieve this, the Plan envisages higher agricultural growth to be brought about by enhanced major, minor and medium irrigation facilities, increase in farm inputs such as seeds, fertilisers, etc, command area development, watershed management approach and extension work to ensure optimum use of land and water. Besides, it would stimulate such activities as dairying and fishing. The mechanisation of farming is proposed to be regulated in such a way that employment opportunities are not cut into by capital-intensive methods. Concerted efforts are to be made for the development of rural, village and small-scale industries.

With a view to organising the poor so that they can understand their rights, the landless and the poor are envisaged to be associated with the decision-making bodies and special care is proposed to be taken to see that the scheduled caste and tribes get their due share. This, it is recognised, might require certain institutional changes in favour of the poor and the small farmers. Emphasis is also to be laid on the implementation of land reform measures and on up-dating the land records so that many complaints which have prevailed in the past in this regard disappear in the future.

It is expected that the employment opportunities in terms of man-years would grow during the next Plan period at the rate of five per cent per annum. The total number of jobs created would be around 49.26 million man-years. This would not only absorb the annual increase of the labour force but also clear gradually the past backlog of employment. Half of the jobs, it is hoped, would accrue in the agricultural sector. To facilitate agricultural development as well as the growth of the rural sector, an outlay of Rs 4,000 crores has been suggested for the construction of roads, provision of drinking water facilities, primary and adult education, etc.

public sector outlay

The overall public sector outlay in the next Plan is envisaged to be 75 per cent more than during the current Plan in line with the philosophy behind the new Plan. The investment in agriculture, rural development, irrigation, power and village and small industries is proposed to be doubled from the current Plan's level. In the case of large-scale industries, the increase in outlays would be of the order of 30 per cent. Agriculture, minor irrigation and industries, it is felt, will also benefit to a significant extent from private investment. A good deal of emphasis has been placed in the Plan on the extension of social services.

As regards the resources for financing the Plan, the savings of the community are expected to be pushed up from 19.8 per cent at present to 23.4 per cent by the end of 1982-83. A large part of the new savings is envisaged to accrue in the public sector. Domestic savings are expected to go up by only one per cent. The successful financing of the Plan, it is recognised, would depend on the improvement of public enterprises, both at the centre and in the states. On an average, they are envisaged to yield the same return as is considered reasonable for private enterprises.

The element of foreign aid in the next Plan is envisaged to be much less than in ths current Plan. It is, however, proposed to draw upon the past accumulated foreign exchange reserves to the extent of Rs 1,200 crores. The resource mobilisation by the government visualised in the Plan documents is of the order of Rs 13,000 crores. (See details in Records and Statistics section.)

* *

Even though the Finance minister, Mr H.M. Patel, did not hold out directly, while replying to the general debate on the budget in the Lok Sabha, any promise of making concessions in his next year's budget proposals, which were presented to parliament on February 28, his observation that he had not been able to deal with the many constructive and valuable suggestions made by the members of the ruling party as well as the opposition and that these would receive his most careful consideration should imply that some adjustments in his taxation measures cannot be completely ruled out. It, indeed, was too early to expect any concessions from the Finance minister in his reply to the general debate on the budget. Such concessions can normally be expected at the time when the finance bill is taken up for consideration or during the course of the debate on the bill. If one goes by the tenor of the Finance minister's reply will be erroneous, however, to cons that some large-scale modifications in proposals would follow.

Mr Patel's reply to the general deb as could be expected, dealt primarily the major policy issues and the gen philosophy behind the framing of budget. He expressed regret—and e surprise—at the criticism that his bud tary measures did not provide specific anything for increasing employment in country. He conceded that he had indulged in any theatrical performance proposing a crash programme for empl ment, but pointed out that the orientati he had given to the next year's Plan p grammes through significant increases the outlays on agriculture and allied p grammes, operation flood, power a rural electrification, development of fis ries, rural infrastructure, irrigation a rural, cottage and small-scale industri were designed to foster employment. H budget, he stressed, aimed at generati additional employment of the order about 25 millions.

improving productivity

The Finance minister asserted that t solution to our employment problem no lay primarily in improving productivi and production in the rural areas. T now the progress of private industry our country, he said, had been depende upon the public sector's performance an import substitution. The slack in publ sector investment due to a variety factors and the exhaustion of import sub titution possibilities had made the pro pects of industry uncertain. Public i vestment certainly had picked up an would continue to do so, but in place import substitution, a new stimulus t growth was necessary. The new growt impulse could come only from the growt in the rural sector.

Mr Patel indicated that the new strateg of area development, the outlays o which were being worked out by th Planning Commission, would cove 2,000 blocks in the country in the nex five years, along with the other develop mental efforts in the rural sector. Thi would result in the small and margina farmers becoming more productivel occupied and the landless labourers finding more employment opportunities. This undoubtedly could have a multiplier effect on the economy. He, however, agreed that the increased emphasis on rural development required a tremendous amount of organisational effort.

The Finance minister brought out effectively the contradictions in the opposition's criticism about the proposed outlay on the next year's plan and the huge deficit left uncovered in the central budget. The increase in developmental outlay proposed by Mr Patel for the next year is only 17 per cent, as against 31 and 27 per cent, respectively, during the previous two years. The deficit proposed by him is of the order of Rs 1,130 crores, which, of course, is likely to get diluted significantly through sales of government gold. Mr Patel emphasised that the size of the plan outlay had to be determined both by the needs of the situation and the capacity to mobilise resources. Taking both these factors into account, he asserted that the outlay of Rs 11,649 crores was just about the right one. Percentagewise the increase becomes smaller with the expansion of the base. If percentage wise increases have to be maintained or improved upon in the successive years, the country would drift into disastrous inflation, he cautioned.

impact on price level

Mr Patel reiterated that his budgetary proposals, including those concerning indirect taxation, would not have any significant impact on the price level. They, he stressed, would not distort the inter-se balances in the economy. The burden of his taxation proposals would be very small in the case of most commodities. The disturbances on the price level, he added, would depend upon the state of demand, the level of production and the efficiency with which the industry organised itself to reduce costs. He mentioned in this connection the studies made by his ministry which showed that the price level today was the same as in September, 1974, since when many excise duty changes had taken place. He pointed out that the critics had preferred to ignore one significant fact in assessing the impact of his taxation measures on the price level. It was the substantial saving that would accrue to the industry in working capital costs as a sequel to the significant reduction effected in interest rates. The proposed excise levies on power and coal, he reiterated would have a negligible cascading effect on most industries. He drew the attention of the House to the fact that the Jha committee had not ruled out taxation of inputs.

Mr Patel pointed out—and rightly so—that in a developing country there was no escape from additional resource mobilisation to keep up the developmental effort. The burden had to be shared by all. Development had to be accorded high priority.

effect of deficit financing

The deficit financing proposed by him for the next year, Mr Patel asserted, was not something which could not be absorbed by the economy. He reminded his critics that the Rs 975 crores deficit in the current year's budget had not have any adverse impact on the price level. The same, he expected, would be the case next year. He recalled that in 1972-73, when his predecessor faced a situation similar to the one he faced this year on account of unauthorised overdrafts of the states, he had to resort to deficit financing to as much as Rs 1,293 crores and that too in a year when inflationary tendencies in the economy were strong. He denied that he had gone against the wishes of the prime minister in proposing a sizeable dose of deficit financing next year. His budget, he stressed, had the full support of the government. The net effect of the deficit in the central budget, he observed, would be the conversion of excess savings into investment.

Mr Patel stoutly defended the proposed sales of government gold. He pointed out that this gold would remain in the country. It would not be lost to the government for ever, as alleged by some opposition members. It would be available in a situation of emergency as happened in 1962 and 1965. Gold sales would bring down the deficit significantly. The sales of gold to foster jewellery exports would result in providing employment to a large number of craftsmen, besides helping in earning foreign exchange.

The scope for curtailing non-developmental expenditure, Mr Patel pointed out, was rather limited as bulk of this expenditure was accounted for by defence, interest charges on public debt and food and other subsidies. Efforts, of course, would be continued vigorously to contain non-development expenditure.

The Finance minister strongly refuted the allegation of the opposition that the economy was drifting under the Janata party's regime. He pointed out that the price situation had stabilised, agricultural production was going up, exports were showing encouraging trends, foreign exchange position continued to be good, etc.

The budget proposals, Mr Patel emphasised, aimed at reducing income disparities through improving incomes at lower rungs. They were not oriented towards favouring the higher-income groups. He refuted the charge that the abolition of sales tax had the objective of helping profiteers, hoarders and black marketeers. The aim was to obviate inconvenience and harassment caused by sales tax to trade and industry as well as consumers. The states would have to be compensated for the loss of this revenue.

* *

The cost of electricity generation of at least four coal or gas fired power projects in the country currently is higher than that of the Tarapore and Ranapratapsagar nuclear stations. Whereas the cost of generation of sent out power at Tarapore and Ranapratapsagar is 10.88 and 12.67 paise per KWh, it is as high as 18.84 paise at Kothagodam B project, 17.83 paise at Badarpur, 14.265 paise at Indraprastha station and 13.93 paise at Dhuvaran. The generation cost for sent out power at the Neyveli (lignite-fired) project is estimated at 18.02 paise per KWh. The coal-fired thermal projects at Durgapur and Nasik are incurring a generation cost of 11.13 paise and 12.14 paise per KWh, respectively. Telling figures indeed!

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Basis for transfer of resources

Dr. P. K. Bhargava

The basic objective of transfer of resources from the centre to the states is to reduce the level of existing disparities among the states. The author who is a Reader in the department of Economics, Banaras Hindu University, pleads that the transfer of resources should vary directly with the total population and inversely with the per capita income of the states.

NON-CORRESPONDENCE in resources and revenue requirements of the federal government and federating units has necessitated increasingly large transfers from the former to the latter. This task is performed in our country by two separate bodies: the Finance Commission and the Planning Commission. While the Finance Commission is appointed almost at five-yearly intervals and has a constitutional basis, Planning Commission, though nowhere envisaged in the constitution, has "emerged as an effective instrument for raising the scale of transfer of resources from the centre to the states."[1] The result is that the Finance Commission controls only a small part—less than one-third of the total transfers. Such a situation has undermined the importance of the Finance Commission. It may be emphasised here that the recent innovation of associating a member of the Planning Commission with the Finance Commission as was done by the sixth Finance Commission and again by the seventh Finance Commission can at best ensure some co-ordination in their scheme of transfer of resources but the fact remains that the Finance Commission has to operate within its limited sphere.

limited role

The role of the Finance Commission has been limited to make recommendations for meeting the fiscal requirements of the states arising from their non-plan revenue account. Although "the legal position.........is that there is nothing in the constitution to prevent the Finance Commission from taking into consideration both capital and revenue requirements of the states in formulating a scheme of devolution and in recommending grants under article 275 of the constitution, yet the setting up of the Planning Commission inevitably has led to a duplication and overlapping of functions........., resulting in curtailment of the functions of the Finance Commission."[2] Whatever may be the legal interpretation of the constitutional provisions, the fact remains that the 'practice' has been that the Finance Commission has been concerned with merely assessing and covering the non-plan revenue gap of the states on the basis of forecasts of revenues and expenditures furnished by them. It was, however, for the first time that the sixth Finance Commission was asked to make an assessment of the non-plan capital gap of the states, though from a limited point of view, namely, re-scheduling of central loans repayment.

POINT
OF
VIEW

It is, however, unfortunate that even in its limited sphere the Finance Commission have not followed such scientific principles which may be in tune with the theory of federal finance. The result has been, as stated later, that the scale of transfers has tilted in favour of the relatively better-off-states which have been more prosperous and the poorer states have either remained backward or their relative economic position has worsened.

As a result of the recommendations of the successive Finance Commissions, there has been a gradual increase in the states' share of the divisible pool of both income tax and the union duties of excise as shown in Table-I. This shows that the Finance Commission have clearly recognised the need for transferring increasingly large amounts of revenues from the centre to the states to meet their growing fiscal requirements. It may, however, be emphasised here that the working of the past Finance Commissions reveals that population has been used as the main criterion for distributing the proceeds of income-tax (which is to be shared compulsorily) and union duties of excise (sharing of which is only permissive) among the states *inter se* as shown in Table II.

varying recommendations

Some weightage has also been assigned to contribution/collection in determining the share of each state out of the divisible pool of income-tax. The first Finance Commission had assigned a weightage of 20 per cent to the factor of collection for the purpose of determining each state's share in the divisible pool of income-tax that was to be distributed among the states. The second Finance Commission recommended that the distribution of states' share of divisible pool be 10 per cent on the basis of collection but the third and the fourth Finance Commission again increased the weightage to the factor of collection to 20 per cent. The fifth Finance Commission took assessment instead of collection as a measure of contribution and reduced the weightage to 10 per cent.

The sixth Finance Commission endorsed the formula of the fifth Finance Commission as they thought that any increased weightage to the basis of contribution would aggravate regional imbalances. It may be emphasised here that the collection basis has adversely affected the thickly populated states and/or relatively backward states which have large populations but have collected small amounts of income-tax. Distribution on the basis of population also does not necessarily have the desired redistributive effects because some of the relatively developed states are also more populous. For instance, the fifth Finance Commission fixed the percentage shares of Maharashtra and West Bengal in the divisible pool of income-tax at 11.34 and 9.11 respectively as against 9.99 of Bihar and 7.09 of Madhya Pradesh.

As for the states' share in the union duties of excise, the successive Finance Commissions have extended the coverage of these duties and reduced the percentage share of the states in the total revenue from these duties as shown in Table I. The past Finance Commissions have generally accepted population as the main basis of distribution of revenue from union duties of excise among the states *inter se*. Some weightage has also been assigned to social, economic and financial backwardness of the states, as defined by the Finance Commission for the purpose of assisting such states which were placed in a less advantageous position as a result of the criterion of population. It may be emphasised here that the sixth Finance Commission raised the weightage for backwardness from 20 per cent (as recommended by the fifth Finance Commission) to 25 per cent, and it made a significant departure by taking per capita income as the sole criterion in assessing the relative economic position of the states. The commission thus recommended that "the *inter se* distribution of this portion of union excise duties should be in relation to the 'distance' of a state's per capita income from that of the state with the highest per capita income multiplied by the population of the state concerned according to 1971 census."[3]

The grants-in-aid recommended by the Finance Commission under Article 275 of the constitution, after considering the tax devolutions to the states, have been used to bridge the residual gap. This has encouraged the states to exaggerate their revenue requirements in the hope of qualifying for the grant from the Finance Commission. The first Finance Commission had recommended that budgetary needs of the states should be an important criterion for determining the amount of grants-in-aid to the states. Budgetary needs of the states may be an important factor in determining the assistance required by the states but a number of adjustments have to be made in states' budgetary forecasts to make them comparable. It is possible that the amount of assistance calculated for two states on the basis of budgetary needs may be the same but a state with a relatively lower level of social services should qualify for a higher amount of assistance. This cannot be done if too much emphasis is laid on budgetary equilibrium and the grants are made on that basis. It is for this reason that we find that a poor state like Uttar Pr
was not recommended any amount b
first five Finance Commissions and
was also not recommended any gran
aid by fourth and fifth Finance Con
sions.

TABLE I

States' Share of Divisible Pool of Income-tax and Union Excise Duties

	Income-tax	Union excise duties
Pre-Finance Commission	50 per cent.	—
First Commission	55 per cent	40 per cent of excise duties from three commodities, tobacco, matches and vegetable products.
Second Commission	60 per cent	Additional five items, coffee, tea, paper, sugar and vegetable non-essential oils (25 per cent of the excise duties from eight items).
Third Commission	$66\frac{2}{3}$ per cent	All excise duties on commodities that were taxed in 1960-61 excluding those with revenue of less than Rs 50 lakhs (20 per cent of such duties).
Fourth Commission	75 per cent	All excise duties excepting special excises (20 per cent of such duties).
Fifth Commission	75 per cent	20 per cent of all excise duties including special excises.
Sixth Commission	80 per cent	20 per cent of all excise duties excluding auxiliary duties.

TABLE II

Weightage for Population Assigned i
Allocation of Statewise Share of Inco
tax and Union Excise Duties

(in per c

	Income tax	U ex du
First Commission	80	1
Second Commission	90	
Third Commission	80	Not i cated separa
Fourth Commission	80	
Fifth Commission	90	
Sixth Commission	90	

The successive Finance Commiss
have generally recognised these princip
as unexceptionable. The third Finar
Commission observed that it had, l
its predecessors, been compelled '
cover the budgetary gaps of all sta
whether caused by normal growth
expenditure, the maintenance costs
completed schemes and mounting inter
charges or even by a measure of impro
dence."[4] The fourth Finance Commissi
recommended grants-in-aid to the states
the basis of their non-plan revenue g
and it gave "due regard to certain speci
considerations which were not specifical
mentioned in the terms of reference to t
earlier commissions. Among these con
derations are the expenditure devolving
the states for servicing of their debts...
and the scope for economy consistent wi
efficiency which may be effected by t
states in their administrative expenditure.'

The fifth Finance Commission whil
assessing the revenue requirements of t
states made a provision for amortizatio
including fresh borrowing during t
period 1969-70 to 1973-74. The sixt
Finance Commission made a significa
departure by giving special recognitio
of the need to push up the leve
of important administrative and soci
services to enable "the states tha
are backward........to come up to

certain national minimum."[6] After giving weightage to this and other factors the commission recommended grants-in-aid to fourteen states.[7]

It may be emphasised here that for a long time budgetary deficits of the states on a standardised basis have become the main basis of grants-in-aid recommended by the Finance Commission. Under such a situation states with high levels of expenditure or relatively low levels of taxation would get grants irrespective of their economic strength. Though the principles such as tax effort and economy in expenditure have been approved by the successive Finance Commissions but none, in fact, put them into practice satisfactorily. It may be emphasised here that the sixth Finance Commission, rather than improving upon the effort index initiated by the fifth Finance Commission, ignored it on the ground that a formula based on relative tax effort "would place at a disadvantage some of the states faced with big gaps on non-plan revenue accounts."[8]

various norms

The budgetary gap has thus been the bedrock of statutory grants and almost all the commissions have adopted a gap-filling approach, although each Finance Commission has disclaimed a mechanical approach to gap filling. Various norms have been adopted by the successive Finance Commissions in the assessment of the gaps but the basic approach has been to cover what a state was committed to and not what a state ought to be committed to. Such an approach has limited the efficacy of inter-governmental transfers as an effective instrument of fiscal policy.

The basic objective of transfer of resources from the centre to the states is to reduce the level of existing disparities among the states. To attain this objective it is, therefore, desirable that the transfers, whether in the form of tax sharing or grants-in-aid, should be made on the basis of per capita income of the states as the per capita income figures satisfactorily indicate the economic backwardness or progress of different states. Such figures also reflect the level of agricultural and industrial development in different states. In relatively developed states there is higher production and, therefore, higher per capita income. It is true that the cost of providing various services will differ from state to state depending upon the price level. A state with a lower price level will, no doubt, be able to provide services at lower cost but with a lower price level, the value of total output of that state will also be low which will be reflected in its low per capita income. Thus, the cost of providing services is also reflected indirectly in the per capita income indices. Had the Finance Commissions made the transfers on the basis of per capita income, poorer states like Uttar Pradesh and Bihar would not have suffered and the recommendations of the Finance Commissions would not have widened the economic disparities.

unhappy development

It may be mentioned here that the per capita income (at 1948-49 prices) of Uttar Pradesh at Rs 259.6 in 1950-51—the last year of the pre-plan period—was about five per cent higher than that of the all-India average per capita income of Rs 247.5 during that year. Unfortunately, the state has continued to suffer. In 1971-72, the per capita income (at current prices) of Uttar Pradesh at Rs 520 was lower by 26 per cent than that of the all-India per capita income of Rs 657 during that year. In 1975-76 also the per capita income of the state was Rs 781 as against the all India average of Rs 1,005.[9] Thus, at present the per capita income of Uttar Pradesh is 29 per cent below the all-India average. This is not a happy development in the Indian federal finance because the strength of the federation depends upon the balanced development of the constituent units.

As referred to above, it may once again be pointed out that under the awards of the past commissions, the poorest states have not received the highest per capita allocation of shared taxes and grants-in-aid. "Punjab, the third richest state in terms of per capita income received the largest (excluding Jammu & Kashmir, in which case political reasons also influence the decisions) per capita assistance in 1960-61. Bihar, the poorest state, received lower per capita assistance than all the other states except Tamil Nadu, Maharashtra and Uttar Pradesh. Gujarat the fourth richest state, also occupies the fourth position in per capita allocation arranged in a descending order. West Bengal also received more than its due share. The poorer states of Kerala, Madhya Pradesh, Rajasthan, Uttar Pradesh and Bihar were amongst the lowest recipients of per capita assistance."[10] However, "there was a slight improvement in the above situation in 1970-71, when the least per capita allocation were made to the richest states of Haryana and Punjab. The relative position of Kerala improved in the allocation of per capita assistance as it moved from eleventh position in 1960-61 to fourth position in 1970-71. However, Bihar and Uttar Pradesh still received less than their due share."[11]

In view of what has been stated above, it is not only desirable but almost inevitable that the transfers to the states should be made on the basis of per capita income. The criterion of per capita income was discarded by the first Finance Commission in a single sentence: "There are no figures for individual states and we are unable, in the circumstances, to form any idea regarding the possible use of such data……"[12] The per capita income figures for different states are now readily available and we think that the seventh Finance Commission should base its recommendations solely on per capita income indices. However, if the federal transfers to the states vary directly with the per capita income indices, the populous states with relatively higher per capita income will continue to benefit more. It is, therefore, necessary that transfers from the federal government to the states should vary directly with the total population and inversely with the per capita income of the states.

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Trends in air transportation

J.R.D. Tata

This is the text of the speech delivered by Mr J.R.D. Tata, at the 27th Annual Conference of the Pacific Area Travel Association in Delhi on January 23, 1978.

I FEEL greatly honoured at being asked to address this important gathering and, as an Indian, am happy that, despite India's somewhat distant location from the shores of the Pacific Ocean, this ancient capital of ours has been chosen as the venue for this year's PATA conference.

I wondered at first why I had been the one chosen to talk to you on "Trends in Air Transportation" when there were many more competent and knowledgeable people in the air transport industry to do so, but guessed it was because, apart from being locally available, I have been involved in the industry longer than any one else active in it today, which probably explains the doubts cast from time to time upon my sanity by my colleagues and friends. You have all heard, I am sure, of the old adage current in my younger days, that one doesn't have to be crazy to be in the airline business, but it helps! It still does! My first contact with the air transport business was, literally, a striking one, for it occurred one day in 1930, at Le Bourget Airport of Paris, when at the controls of a small plane with no brakes I drifted into the tail of a large Imperial Airways Argosy airliner ready for departure and put it smartly out of commission. Imperial Airways were not amused!

the background

I realise that your interest, if any, in air transport trends will lie in current and future trends rather than past ones, but, conscious as I am of the perils of prophecy, I crave your indulgence if, in order to strengthen the credibility of such views as I may advance in regard to the future, I present them against the background of the past thirty years which saw the birth and growth of mass air travel as we know it today. I should make it clear that my remarks, and particularly such specific facts or figures I may mention, will refer mainly to international air travel on scheduled services.

Although international air travel was born at the end of World War I and slowly grew, between the two wars, it remained a somewhat esoteric way of travel in funny looking land planes and flying boats used by a relatively few hardy travellers in a hurry. It emerged into a practical mode of transport over long distances only in the late forties when the American aircraft industry applied the tremendous technical and manufacturing resources it had developed during the war in building long-range bombers and transports to the development of large pressurised civil aircraft operating at twice the speed and flying altitudes of their predecessors.

stratocruisers

Those were the years of the Douglas DC-6s and the Lockheed Constellations, followed by the DC-7s, the Super-Constellations and the Boeing stratocruisers. The latter which, incidentally, were the first to introduce a lounge for passengers, were noted for their propensity for engine failures which prompted Sir Victor Tait, then technical director of Imperial Airways or BOAC, whichever it was called at the time, to issue a directive that all its pilots practise at least one 4-engine landing a month!

As could be expected, the lifting of wartime restrictions on international travel and the great increase in speed, safety and comfort provided by the new aircraft generation released the long pent-up wanderlust of the peoples of the world, but the phenomenal growth of air travel thereafter which has continued to this day may be attributed to three main trends:

First, the introduction of two-class travel in 1952 made possible by the larger capacity of the new aircraft;

Second, the continuous decline in fares in current terms and, therefore even m so in real terms, upto 1973, about wh I shall say more later;

Third, and the most dramatic one, advent of the jet in 1958 which introd ed an entirely new dimension to transport in doubling its speed and pr surised comfort and brought mass travel to its present maturity.

proliferation of airlines

A secondary but significant trend w the worldwide proliferation of new int national airlines of which some 28 ca into being between 1946 and 1960 mo often on considerations of national pre tige than economic justification. At o time, not so long ago, a nation of tw million people had no less than thr international airlines! The possession an iron and steel plant, an atomic pow station and an international airline we considered symbols of national presti irrespective of economic justificatio availability of raw materials or capaci for generating traffic.

While recognising the invaluable ro played by private and government trav and tourist organisations, such as I se represented with such distinction at th conference, I may be forgiven if I attr bute to the air transport industry th remarkable advances, including the grow ing productivity and efficiency of aircra and the almost frenetic growth of ai travel in the post-war era, which trans formed the way of life of millions o people, shrunk the earth to half its size made a neighbour of everyone else brought wealth to dozens of countrie from an unending flood of tourists and enabled people from all parts of the world to meet, communicate, trade and make friends to a greater extent than ever before in the history of the human race.

As an indication of that extraordinary growth of air travel since 1960, when the jets took over, is its average compound rate of about 12 per cent per annum, until 1973, when the oil crisis, which resulted in widespread recession and galloping inflation, slowed it down. Despite this, world air travel today is six times what it was in 1960.

In order to achieve this extraordinary growth, the airlines had not only to provide vastly increased speed and geographic coverage but also to neutralise or absorb the continuous and steep increase in costs to which they were subjected, as an example of which I might mention the three-fold rise in the cost of aircraft from about $40,000 per seat in 1960 to $118,000 today, increases in government user charges by about 60 per cent in the last five years alone, and equally steep increases in wages. As if these were not enough, came in 1973 the shocking rise in oil prices which quadrupled airline fuel costs.

declining fares

Yet, until 1973, fare levels declined continuously in real terms as may be seen from the fact that from 1960 to 1973 they remained constant at an average of about 3.9 cents per mile having at one point declined to 3½ cents, rising to the present 5.5 cents or so per mile under the accelerating inflationary rise in costs. This increase of about 40 per cent in current terms over the sixteen years from 1960 to 1976 inclusive, may be compared to the corresponding rise of about 130 per cent in world consumer prices. In real terms, therefore, the fares today are 40 per cent below those of 1960.

Thus, perhaps the most striking trend of the seventeen years of the jet age has been that, while meeting all the demand in full, and more, as well as providing a stunning advance in speed, comfort, convenience and safety, the aviation industry was able to insulate the travelling public from the steep rise in prices of all other items of personal expenditure wholly for the first fourteen years, and, when inflation went out of hand, to absorb the greater part of its burden.

The means by which the industry was able so successfully to control fare levels in the face of rampaging inflation lay in the three main spheres of the economies of scale provided by very big aircraft, the improved fuel efficiency of successive generations of jet engines on their destinations and, finally, the ingenuity and marketing expertise of the airlines, in close collaboration with travel agencies and tour operators. The latter is exemplified by events on the North Atlantic route which saw the successive introduction of excursion fares in 1948, coach fares in 1952, family fares in 1955, economy class fares in 1958, affinity group fares in 1963, group inclusive tour fares in 1967, youth fares in 1972 and apex fares in 1975, as a result of which fares per seat mile declined in real terms at an average rate of three per cent per year between 1963 and 1975.

The latest introduction of the Skytrain concept, about which I shall say more later in this talk, has brought a further reduction of about a third in Atlantic fares, which is not included in the figures I have quoted.

To the saving in travel costs as compared to those of all other consumer items must be added the wide choice of travel plans offered to the traveller and the transfer from him to the airlines, the travel agents and the tour operators of the considerable burden of work, trouble and difficulties involved in planning and undertaking foreign tours, particularly those covering many successive destinations. All these together have created an imprortant trend of their own reflected in the striking change which has taken place in air travel, from the predominantly individual travel pattern of earlier years to the fully pre-planned and organised pattern of most of today's air travel.

past performance

Before I exhaust your patience and interest in this review of past trends, I would, as an airline man from way back, like to take advantage of this opportunity to make a passing reference to one last point concerning past airline performance. The industry has frequently been accused of extravagance in buying too many, too large airplanes and flying them half empty at excessive fares.

While there is some truth in this charge, not so much in regard to the size of the planes used which had to be large to be economical, but in their number and the frequency of services offered on competitive routes, and the number of cities, however small, sought to be served, the burden has not been borne by the travelling public but by the airline owners as shown by comparing the industry's dismal profitability record, which was 1.14 per cent in 1976-77, with its outstanding record in fare reduction mentioned earlier. Furthermore, the fierce competition within the industry created by empty seats resulting from excess capacity played a significant part in promoting traffic by inducing the airlines to offer a variety of promotional fares which absorbed the surplus capacity and in the process created, de facto, a three-class air travel structure on long routes.

future trends

Against this background of past trends I must now turn to future trends. My task would be easier if all you ladies and gentlemen had the good sense to believe in astrology, as most of my countrymen do. Unfortunately, you don't any more than I do, so I am compelled to venture into the perilous realm of prophecy, which I do without undue trepidation only because I am not likely to be around by the time any of you have a chance to tell me how wrong I was in what I say today!

Any forecast of air travel trends must necessarily depend on the likely technological, economic, political and behavioural environment in which air transportation will operate during the period covered by the forecast. On the optimistic assumption that the principal countries of the world remain more or less peaceful, and that the human breast will continue to harbour a perpetual yen for travel, let us first consider the technological prospects of our industry in the next two decades, i.e. up to the end of the century.

One thing we know is that, so far as long range international travel in the eighties is concerned, the vast majority of the aircraft used will be of the current wide-bodied generation, further economies from which can only be small as they will come mainly from the replacement of the less efficient older jets. It is only in the subsequent decade of the nineties that one may look forward to a substantial further

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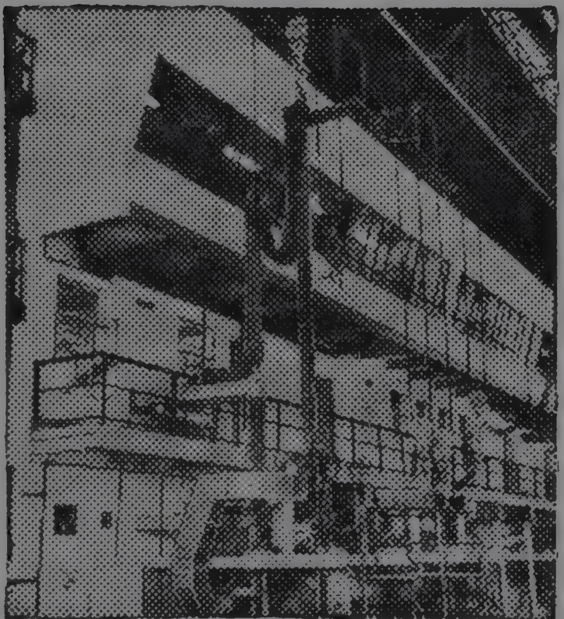

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advance in the form of still larger aircraft such as a twin-deck 750-seater derivative of the 747 equipped, hopefully, with still more thrifty engines.

Apart from achieving further economies of scale, the trend towards larger aircraft, even at the cost of frequency on some routes, would be justified as a means of decongesting international airports, many of which have already reached saturation during peak hours. While the enlargement of terminal facilities at existing airports would, in most cases, present no major problem other than cost, the creation of entirely new airports requires such an enormous area of open flat land and so much construction time that shortage of airport capacity may well prove to be the most serious bottleneck before the close of the century. Unfortunately, a solution of this problem from the aircraft end is unlikely until, perhaps in the nineties, laminar flow and other means of achieving STOL capabilities in long haul aircraft are developed to enable them to operate from reasonably short runways.

rise in costs

The modest gains in efficiency and cost which the airlines might achieve in the eighties can therefore only neutralise a part of the increases in costs due to continuing world inflation estimated, according to most economists, at around seven per cent. Taking the minor cost savings mentioned earlier at, say, 1½ per cent per year, and another 1½ per cent from increased load factors, we would be left with an expected net rise in costs in current terms of around four per cent per year.

These calculations ignore the horrendous possibility that the increase in the price of fuel in the next decade will exceed the average worldwide inflation rate, as it did drastically in one jump in 1973. Fortunately, recent pronouncements from OPEC sources would seem to indicate an intention to hold the price line at least for the time being and, if and when prices are raised, to limit the increase to that of the prices of goods and equipment supplied to their members.

On the other hand, an expert in petroleum economics who recently addressed the annual meeting of IATA in Madrid, quoted a consensus of opinion that "potential" oil demand will begin to outrun supplies in the 1980s. He foresaw an interesting cyclical pattern of economic growth leading to increased demand for oil, leading in turn to higher oil prices which would then slow growth down again. As against this somewhat gloomy view of the future, is the fact that kerosene accounts for only seven per cent of the world's total oil demand while potential kerosene fractions available is of the order of 10 to 15 per cent. I must leave it to you to interpret these contradictory prognostications.

the demand

So much for cost trends. On the demand side of the traffic equation the task of crystal gazing is equally onerous.

It would have been nice for me to be able to quote clearcut economic projections of GNP growth and inflation. Unfortunately, as we all know, economists rarely agree amongst themselves. It has in fact been said by one of them that if all the world's economists were strung together end to end they would still never reach a conclusion! However, by a process of mental triangulation and plotting of a variety of prevailing economic opinions, I offer the prediction that the average rate of GNP growth in the eighties will be around four per cent in real terms resulting from an increase in money income of about 11.3 per cent and costs of about seven per cent respectively.

If I am right, what will the likely size of the market be during the next decade? If we accept the predicted GNP growth rate in real terms of four per cent, and assume that the elasticity ratio of travel demand to income growth continues to be about 1.5 to one, an annual growth rate of six per cent should be assured. This, however, does not take into account the powerful likely impact during the eighties of the Laker Skytrain type of fares recently introduced on the Atlantic route and now proposed for the Pacific, to be followed no doubt by many other routes. It may be appropriate for me to point out, in passing, that to the best of my knowledge it was not Fred Laker but Eastern Airlines who, as far back as 1961, first introduced this no-frill, no-advance booking concept, when they started their ever popular shuttle services between New York, Washington and Boston. Their service was in an even more advanced form for it guaranteed space to all countries.

There is no doubt in my mind that this new application of the concept to long-haul international travel is likely to provide as important a stimulus to growth in the next ten years as the introduction and proliferation of cheap fares provided during the 1960s and the first half of the seventies. The stand-by and budget fares recently introduced by the scheduled airlines on the Atlantic to meet the competition of the Skytrain fare, are about one-third cheaper than the previous lowest promotional fare which itself was 43 per cent cheaper than the full economy fare. Even allowing for the reduction in comfort, convenience and amenities involved in this type of travel, it would be surprising indeed if this new means of saving money offered to the travelling public did not generate substantial new traffic apart from diverting existing traffic to the new fares.

three-class travel

Ever since the advent of the Jumbos, I have personally been convinced that the time had come for a formal recognition of three-class travel. The promotional fare structure which grew and evolved during the past seven or eight years, did in fact produce the three-class concept, though in an untidy and unduly complicated way. The 747 and the DC-10, and their future stretched versions, are ideal vehicles for providing thrift fares travel in combination with first and intermediate class, and also for introducing a simpler, fairer and more credible fare structure in which fare levels will genuinely reflect the varying quality, comfort and convenience of the service, in the air and on the ground.

Whether I am right or not, what should we expect the Skytrain type of fares to add to the six per cent growth rate suggested earlier?

Without letting you into the secret of whether I have arrived at my estimate through an intelligent combination of logic and mathematical calculation, or by drawing the figure from a hat, I venture to predict that this development is capable of raising the average growth rate to 10 per cent in numbers of travellers, and eight per cent in revenues. And therefore in commissions to travel agents!

While this estimated growth rate seems to me entirely achievable in the light of our past and current experience of the effect of low fares on traffic growth, one dark cloud on the horizon which if it does not evaporate could seriously alter the situation, is the shortage of hotel and other types of accommodation which will be required to house and cater for the needs of the extra 100 million for so travellers in the next decade.

As things are today, in almost every part of the world a shortage of accommodation has already begun to stem the flow of traffic to some destinations. Unfortunately, while new aircraft can be bought and put into service in about eighteen months, the creation of new hotel accommodation takes much longer, except perhaps for beach and other resort hotel types of accommodation. New hotels are indeed coming up every year throughout the world, but a much greater and more urgent effort is clearly required to be made to cope with the growth of the demand we visualise today. This applies particularly to India where the accommodation available today is less than half the current potential demand, which explains its pitifully low rank in the world of tourism, despite the multitude and range of its scenic, historic and natural attractions.

critical need

I am sure that all members of PATA are fully aware of this critical need which must be met if their term aims are to be fulfilled. I hope that in the course of this very conference they will deliver themselves of firm and clear recommendations that will galvanise the governments of countries deficient in hotel accommodation into accepting the urgent need to include the development of the hotel industry as an important part of their long-term economic plans. I regret to say that this need has not been adequately recognised up to now in my own country which your presence graces today, and the concessions and facilities extended to export and other industries of no greater importance to the country's economic progress and wellbeing are still denied to the hotel industry.

Another possible adverse factor is the problem of financing the new aircraft required to be purchased during the eighties, both to provide additional capacity and to replace earlier generations of jets. A large proportion of the latter will, by 1980, have outlived their useful twenty-year life or, because of their small size, their high fuel consumption and their inability to meet statutory noise limitations, will no longer be able to be deployed on the principal traffic routes of the world.

The poor financial record of the industry over the past twenty years has been such as to justify the question, whether the airlines will be able to afford the expenditure of some $55 to 60 billion involved in their growth and re equipment. Put another way, will the banks and other financial institutions be willing to lend them the money they will need on the required scale? Already signs are unmistakable that they will not be as accommodating as they were in the carefree sixties.

boundless admiration

I suppose I must, before I close, touch on the future of supersonics as I see it. One cannot but have boundless admiration for the technical brilliance of the Concorde and no doubt of the TU-144 though we know less of that aircraft. So long, however, as all the countries of the world continue to prevent them from flying at supersonic speeds over their territory, and their use is therefore virtually restricted to over water routes, and also, for reasons of cost, to a minute luxury stratum of travellers, they can hardly be said to provide a new trend in air transport. That supersonic travel will come in a big way one day is certain, but it will certainly not be in the next decade and perhaps not even until after the turn of the century, for I believe it will take at least twenty years to develop supersonic planes able to overcome their sonic boom problem and large enough to be economically viable. Fortunately for me, therefore, the subject is well outside the scope of my talk today.

To sum up, nothing startling beyond a continuation of current trends on a somewhat reduced scale, may be expected in the eighties. Barring another oil cri
the trend towards declining yields in
terms and rising load factors should a
continue, further helped by the gro
of the Skytrain types of fares.

With foreign tourism and holid
abroad now a way of life and a recurr
experience amongst people of many co
tries, most tourists no longer try to
the world in one go but prefer to tra
and spend their holidays in one regi
or even in one place, while the airli
themselves no longer need to tap so ma
intermediate stops to pick up traffic. Bo
these factors have led to the trend, whi
should continue, towards increasin
long, non-stop flights taking travellers
their main destination.

universal trend

The trend towards wide-bodied aircra
will become well-nigh universal and t
size of aircraft used on high dens
routes will continue to grow.

For a decade or two as supersoni
continue to represent a microscopic pe
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to get to one's destination as quickly
possible will instead be increasingly m
by extreme range non-stop operatio
with special derivatives of existing typ
of aircraft in which the loss of pay loa
in favour of fuel is compensated by co
savings en route.

The three-class concept of air trave
upto now concealed in a complex an
often unfair pattern of fares in which th
higher fare paying passenger feels, and
in effect, discriminated against will, hope
fully, be formalised into a more sensib
and easily understandable fare pattern.

Finally, the air transport product wi
be increasingly diversified in the year
to come. In this concert of airline
hoteliers, tour operators, travel agent
and airport authorities, airlines will tak
less the role of soloists and combine mor
with the chorus, to foster not only ai
transportation but its major offspring—
international tourism. Despite the variou
uncertainties I have discussed earlier, w
may be certain of the one fact that th
airlines of the world will continue to dis
play the vitality, imagination and resili
ence which, together, made possible th
phenomenal growth of air travel in th
past thirty years.

Outlook for metal markets in 1978

The outlook for producers and exporters of metals in 1978 is brighter than it was in 1977, but substantial price increases seem unlikely, says G. Ian Brown, Senior Economist, IMF Research Department.

WINDOW ON THE WORLD

WEAK MARKETS for most metals in 1977 resulted primarily from slower growth of the world economy than anticipated, with consumption falling short of production and massive stocks accumulating. Prices remained stagnant at averages close to those for 1976, except for a few metals not in oversupply for which prices were significantly higher.

Although demand was seldom exceptionally strong, neither was it abnormally weak as it had been in 1975. Thus, the more than ample supply situation was mainly responsible for stagnant prices. Producers' stocks of most metals built up to record levels, in spite of curtailment of production. Stocks on the London Metal Exchange (LME) remained high for all non-ferrous metals except tin, stocks of which fell by 25 per cent during 1977.

Exports of metals by developing countries probably varied widely in 1977. Although unit values may not have improved much over 1976, except for tin and lead, volume increases were common. With few exceptions, exporters of copper, zinc, nickel and iron ore are estimated to have fared worse than in 1976, but exporters of tin, lead, bauxite, and alumina are believed to have improved their earnings significantly above the 1976 levels.

Forecasts at the beginning of 1978 indicate growth of the world economy by only about 3 to 5 per cent over 1977. Producers' stock of metals (other than tin, aluminium, and lead) are high, but consumers' stocks probably need replenishment. In addition to industrial demand, continued demand from speculators could become stronger in 1978 if business sentiment improves.

Current stockpiles of the US government are below the objectives for some metals, but any acquisitions are likely to take more than a year after congressional authorisation. On the other hand, sales of tin could be authorised in 1978, as holdings considerably exceed the objective. Stockpiling purchases by the Japanese government on a small scale could afford some relief to the copper, zinc, and aluminium industries.

Prospective supplies of most metals seem ample to meet anticipated demand. At present, productive capacity in a number of countries particularly developed one, is far from being fully utilised and higher prices can cause it to be brought back into operation rapidly. Moreover, new capacity is expected in several countries. Sporadic strikes and supply interruptions could occur but will probably not alter the situation significantly.

With this general outlook, moderate price increases above 1977 averages seem probable in 1978 for most metals, with the possible exception of zinc and nickel. Developing country exporters are expected to achieve modest gains in in their earnings, due to increases in price and volume. Discussion of price stabilisation measures within the framework of the United Nations Conference on Trade and Development (UNCTAD) will continue in 1978 but is unlikely to result in measures affecting conditions in 1978.

looking beyond

Looking beyond 1978, there is already concern that the low prices of most metals since 1975 has led to reduced investment in new productive capacity. Such investment in minerals industries usually takes at least five years to mature, so that with the running down of stocks, serious supply shortages could develop in the 1980s, even without abnormal demand growth. Prices could then exceed the record 1974 levels.

Copper : Because of copper's extensive use in the construction electrical, and transport industries, the LME spot price, on which sales of copper outside North America are based, is one of the most sensitive indicators of world industrial activity. The 1977 average of 59.4 cents a pound, which was seven per cent below the 1976 average of 63.6 cents a pound, was largely indicative of the relatively slow growth of the world economy. The average US producers' price for 1977 of 66.8 cents a pound was four per cent lower than that for 1976.

In spite of the high and increasing producers' stocks at the beginning of 1977, the spot price rose by 10 cents from 58.6 cent a pound for December 1976 to 68.7 cents a pound for March 1977. Over this first quarter, consumers were building up stocks against the possibility of a protracted strike in the US copper industry, where a large number of labour contracts fell due for renewal in July.

From April onward, however, the smooth settlement of wage negotiations in other US industries caused the strike threat to recede and the spot price began the decline that continued through November. A strike in July was quickly settled, and by the end of August virtually all the strikers returned to work. Consumer demand remained weak, however. Many producers, especially those with high costs in industrial countries, reduced their output by about 20 per cent. While these producers were attempting to reduce the world supply imbalance, others—mainly in developing countries—were striving to increase their output. For most of the developing countries, the copper industry is a major employer and source of revenue, as well as a vital earner of foreign exchange. The mine output of Zambia and Papua-New Guinea is estimated to have been marginally less than in 1976, but Chile, which achieved a record output in 1976, is estimated to have slightly exceeded it in 1977. Outputs for the Philippines and Zaire are also estimated to have increased slightly, but the largest increase (over 40 per cent) occurred in Peru, where a major mine and a minor one came into production.

accumulation of stocks

Stocks continued to accumulate, and in November the LME spot price of copper declined to its lowest monthly average for the year—53.6 cents a pound. By then, consumers had worked off some of their excess stocks. After reports of Soviet purchases and announcements by three members of the Inter-governmental Council of Copper Exporting Countries—Peru, Zaire and Zambia—of intended production cutbacks, the LME spot price recovered to an average of 57.2 cents a pound for December. Part of the recovery is attributable to a decline in value of the US dollar.

For 1977, western consumption of refined copper is estimated at about six per cent higher than that for 1976, while production is estimated to have increased by seven per cent. Thus, world stocks are estimated to have risen by 0.5 million tons to about 2.5 million tons or nearly five months' normal consumption.

The 1977 export earnings of most developing countries from copper were probably significantly less than for 1976 because of lower unit values. Peru was the exception, because of its much greater volume of copper exports.

International efforts to stabilise copper prices and export earnings continued in 1977. Preparatory meetings of the UNCTAD Group on Copper and its intergovernmental group of experts were held at Geneva and are to continue in 1978, but no consensus has been reached on the establishment of an international buffer stock agreement or even of an International Copper Council to serve as a forum for the collection and exchange of economic information on copper.

Prospects in 1978 for any substantial improvement in copper prices and export earnings do not seem promising, unless there is a marked unanticipated growth in the world economy. Even if demand were to improve rapidly, shortages are unlikely. Producers' stocks are at higher levels than ever; many producers are operating well below capacity. New cap city totalling about 390,000 tons a yea of which 145,000 tons is in Iran, scheduled to come into operation in 197

Business sentiment, however, exercis a disproportionate influence on the shor term movement of copper prices if became optimistic for any reason, pric could rise, regardless of the supply pos tion. Other factors could give an impetu to demand, such as stockpiling purchas by governments.

Tin: In 1977, tin was the most remar able exception to the pattern of ove supply and low prices for metals. Th Penang price, which is the Internationa Tin Agreement (ITA) intervention pric averaged the equivalent of about $4.8 a pound, or 38 per cent above the 197 average. The average of the LME sp price for high-grade tin ($4.91 a pound was 43 per cent above the 1976 averag The reason for these steep price increase was not so much a substantial growth o demand, but a serious supply shortage

TABLE I

Copper Production of Major Producers and Exports of Developing Countries

	1974	1975	1976	1977[1]	% change i 1977 from 1976
	Mine Production, Metal Content ('000 metric tons)				
World[2]	**6,165**	**5,735**	**6,208**	**6,600**	7
Canada	821	734	747	760	2
Chile	902	828	1,005	1,040	3
Peru	212	189	219	316	44
Philippines	225	226	238	250	5
United States	1,449	1,282	1,457	1,460	—
Zaire	500	495	445	450	1
Zambia	698	677	709	670	—6
Other[3]	290	270	280	280	—
	Exports (million US dollars)				
Total	**5,131**	**2,690**	**3,383**	**3,138**	—7
Chile	1,716	850	1,250	1,150	—8
Peru	348	151	224	305	36
Philippines	387	209	251	240	—4
Zaire	925	433	392	360	—8
Zambia	1,303	734	966	830	—14
Other[3]	452	313	300	253	—16

1 Estimated. 2 Excludes CMEA countries and the People's Republic of China. 3 Include Cyprus, Mexico, Papua-New Guinea and Uganda.

Data: *World Metal Statistics*, London; *International Financial Statistics*; national sources; an Fund staff estimates.

estimated at 16,500 tons for 1977, compared with a surplus of 7,600 tons for 1976.

Production of tin-in-concentrates of 184,600 tons was nearly four per cent higher than in 1976. Increases in mine output by Thailand (17 per cent), Brazil (8 per cent), Bolivia (5 per cent) and Indonesia (4 per cent) more than offset decreases by Nigeria (—8 per cent), Zaire (—7 per cent) and Malaysia (—4 per cent). But supplies of metal from other sources were much reduced. Exports of the People's Republic of China were halved; supplies of high-grade tin authorised for disposal from the US government stockpile were minimal and the ITA buffer stock was exhausted in January 1977 after its remaining 800 tons were sold. The supply shortage may have been exaggerated because of smuggling of tin-in-concentrates, amounting possibly to 6,000 tons, to markets through such ports as Singapore.

increased earnings

The high prices for tin in 1977 were extremely remunerative for exporting countries in spite of spiralling costs of production. In nominal terms, most exporters probably increased their earnings by at least 35 per cent over 1976 and the average increase of all was closer to 40 per cent.

The year 1977 was unfortunate for the Fifth International Tin Agreement. The intervention price rose above the ceiling of the ITA range in January and has remained continuously above it ever since, in spite of a 13 per cent increase in the ceiling price in July. The buffer stock exhausted its holdings of tin metal in January and has since had no power to restrain the price. In May, the United States indicated its intention of making a voluntary contribution in metal (estimated at about 5,000 tons) to the ITA buffer stock but legislative action is not expected until some time in 1978.

For most of the first half of 1977, the future of the ITA seemed uncertain, since Bolivia, which exercised a crucial number of votes and is a high cost producer, was unwilling to ratify it. With the establishment of an economic and price review panel to make regular price reviews, Bolivia ratified the agreement on June 14 and it entered into force on that date.

The outlook for tin exporters in 1978 appears bright. Recent estimates by the International Tin Council (ITC) indicate a continuing deficit for the year of some 18,000 tons between production and consumption. Realistically, the only source of additional supplies is the US stockpile, which contains about 204,000 tons of tin or some 171,000 tons in excess of the objective of 33,000 tons.

Aluminium: Western consumption of aluminium is estimated to have increased by only six per cent in 1977 to 11.3 million tons, compared with an increase of 19 per cent in 1976. Production, on the other hand, is estimated to have increased to 11.2 million tons by 10 per cent, compared with only three per cent in 1976.

The annual world average price of 51.9 cents a pound was 28 per cent higher than for 1976, while the US producer price averaged 51.3 cents a pound, 16 per cent above the 1976 average. The "free market" price, at which noncontractual supplies can be obtained on the open market and which is usually a more accurate indicator of the state of the market than the producer prices, also rose by 16 per cent over 1976, from 41.2 cents to 48.0 cents a pound.

At present, only a small number of developing countries export aluminium. These include Ghana (140,000 tons a year), Bahrain (126,000 tons a year), Surinam (45,000 tons a year) and Cameroon (25,000 tons a year). Others including Mexico, Jamaica and Indonesia, have plans for establishing smelters to refine their domestic supplies of bauxite and alumina.

The volume of world trade in both bauxite and alumina is estimated to have increased significantly in 1977; for example, Jamaica's exports are estimated to have been higher than in 1976 by 20 per cent and 40 per cent, respectively. Since

TABLE II

Tin Production of Major Producers and Exports of Developing Countries

	1974	1975	1976	1977[1]	% change in 1977 from 1976
Mine Production, Metal Content ('000 metric tons)					
World[2]	**183.4**	**177.7**	**178.2**	**184.6**	**4**
Australia	10.5	9.3	10.4	10.5	1
Bolivia	29.2	28.3	28.1	29.5	5
Brazil	4.4	5.0	5.9	6.4	8
Indonesia	25.6	24.3	23.4	24.4	4
Malaysia	68.1	64.4	63.4	60.8	—4
Nigeria	5.5	4.7	3.7	3.4	—8
Thailand	20.3	16.4	20.5	23.9	17
Zaire	4.7	4.6	4.0	3.7	—7
Exports (million US dollars)					
Total	**1,239**	**974**	**1,182**	**1,672**	**41**
Bolivia	229	182	226	330	46
Indonesia	175	134	165	240	45
Malaysia	629	502	600	810	35
Nigeria	29	28	22	30	36
Thailand	152	110	146	230	58
Zaire	25	18	23	32	39

1 Estimated. 2 Excludes CMEA countries and the People's Republic of China.

Data: International Tin Council; *International Financial Statistics*; national sources; and Fund staff estimates.

1974, the majority of developing countries have linked the tax levied on bauxite exports to the price of aluminium ingot in the importing countries. In Jamaica's case, this resulted in an increase of nearly 14 per cent and other exporters are believed to have imposed similar increases. The earnings of developing country exporters of bauxite and alumina may therefore have been on an average about 15 to 20 per cent higher than in 1976.

minimum prices

The International Bauxite Association (IBA) held several meetings in 1977. Members include Australia, the Dominican Republic, Ghana, Guinea, Guyana, Haiti, Indonesia, Jamaica, Sierra Leone Surinam and Yugoslavia, which together account for about 80 per cent of western production of bauxite. In December, the IBA announced that members had agreed on a minimum price of $24 per ton, c.i.f,, for bauxite exported to the North American market. Current prices of all suppliers to that market are reported to be above that figure.

Lead and Zinc: Often mined together, lead and zinc have had similar price movements over long periods, with zinc prices usually being higher. In 1977 prices diverged and from the second quarter lead prices were significantly higher than those of zinc. The same situation seems likely in 1978.

Lead is one of the few metals for which average prices were substantially higher in 1977 than in 1976. The LME spot price of 28 cents a pound was 38 per cent above the 1976 average and the US producer price, which was raised several times during the year, averaged nearly 31 cents, or 33 per cent above the average for 1976.

In 1977 lead, unlike most other metals, showed an approximate balance between supply and demand and producers' stocks remained at normal levels. Demand for lead was strong at the beginning of the year, fell from June to October, and strengthened over the last three months of the year, with prices recovering to their earlier high levels.

A number of factors helped to raise lead prices in 1977. Among them was the increased demand from countries of the Council for Mutual Economic Assistance. In addition, use of lead as a gasoline additive, which normally accounts for about 20 per cent of US lead usage, remained about the same as in 1976. On the supply side, industrial strikes and the overall inadequacy of world smelter capacity caused shortages.

Export earnings of developing countries from lead benefited from the strong demand for the metal and the price rises; in aggregate, it is estimated that they were about 12 to 15 per cent higher than for 1976.

Of the non-ferrous metals, zinc was the most adversely affected by the slow gr of industrial demand in 1977. The w ness of demand for steel was particu serious for zinc, as its principal us for galvanising steel to prevent corros Moreover, use of zinc die castings automobiles—another major outl continued to decline. In contrast lead, zinc was in over supply and ducers' stocks, which were very large the beginning of the year, continued accumulate.

The weakness of the market was i cated by the progressively downward prices. The world price quoted

TABLE III

Mine Output of Selected Minerals and Metals by Major Producers Among Developing Countries

('000 metric to

	1974	1975	1976	1977[1]	% change 1977 from 1
			BAUXITE		
World[2]	**71,467**	**66,188**	**69,134**	**72,500**	5
Australia[3]	19,994	20,958	24,085	25,500	6
Brazil	858	969	1,000	1,030	3
Dominican Republic	1,196	785	516	495	—4
Guinea	7,600	8,406	11,316	11,800	4
Guyana	3,606	3,829	3,108	3,600	16
Haiti	659	522	660	690	5
Indonesia	1,290	993	940	1,050	12
Jamaica	15,328	11,570	10,306	10,500	2
Surinam	6,885	4,751	4,588	4,700	2
			LEAD (metal content)		
World[2]	**2,537**	**2,549**	**2,449**	**2,570**	5
Mexico	218	179	200	220	10
Morocco	86	70	67	72	7
Peru	166	178	182	190	4
			ZINC (metal content)		
World[2]	**4,641**	**4,552**	**4,630**	**5,000**	**6**
Mexico	263	221	259	260	—
Peru	397	421	458	490	7
Zaire	91	80	90	95	6
Zambia	80	66	38	40	5
			NICKEL (metal content)		
World[2]	**612**	**607**	**636**	**640**	**1**
Cuba	34	37	37	38	3
Dominican Republic	31	27	24	25	4
Indonesia	16	15	14	15	7
New Caledonia	137	133	119	125	5

1 Estimated. 2 Excludes CMEA countries and the People's Republic of China. 3 Included f purposes of comparison.

Data: *World Metal Statistics*, London; Statistical Office, Federal Republic of Germany.

European producers was reduced during the year from $795 to $600 per ton and even then some producers were offering discounts from their published price. US producer prices, averaging 34.4 cents a pound for the year, were seven per cent below their 1976 average, while the LME spot price at which open market purchases of residual supplies can be made, averaged only 26.8 cents a pound, or 17 per cent less than in 1976.

The oversupply problem for western producers in 1977 was accentuated by the substantial supplies of zinc at low prices from certain centrally-planned economies, such as North Korea.

World consumption of refined zinc is estimated to have increased by only about two per cent in 1977, while estimated production, augmented by new capacity, rose by six per cent. Among developing countries, mine output may have increased in aggregate by about five per cent, but the earnings of most exporters were probably at least 10 per cent below those of 1976 because of lower prices.

TABLE IV

Iron Ore Export Earnings of Selected Major Producers

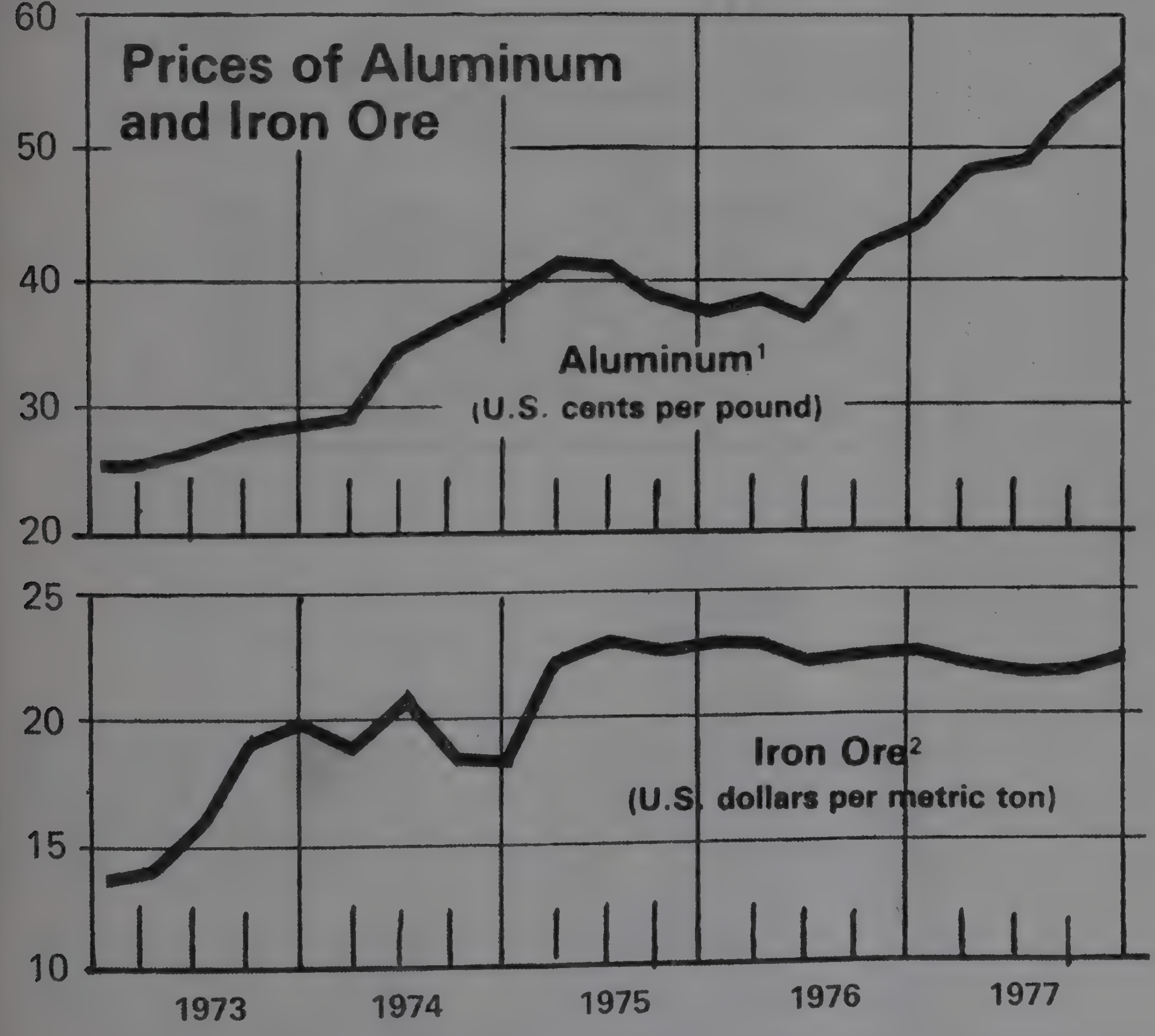
(million US dollars)

	1974	1975	1976	1977[1]	% change in 1977 from 1976
Total	**2,426**	**3,001**	**3,163**	**2,907**	8
Australia	850	980	1,019	1,034	1
Brazil	571	921	966	850	—12
Chile	73	90	86	80	—7
India	198	244	293	275	—6
Liberia	262	294	332	276	—17
Mauritania	130	142	154	127	—18
Peru	60	52	60	50	—17
Sierra Leone	15	15	—	—	—
Venezuela	267	263	253	215	—15

[1] Estimated.

Data: *International Financial Statistics*; national sources; and Fund staff estimates.

Nickel: Producers of nickel, which is used mainly in the manufacture of specialised steel alloys and is essential for the production of stainless steel, experienced a particularly bad year in 1977. The International Nickel Company of Canada (INCO), which has dominated the market for many years, suffered steady erosion of its market share by more recently established companies in the United States, Australia and elsewhere. In the 1950s, INCO supplied over 80 per cent of western nickel requirements, but in 1977 its share is estimated to have fallen to only 35 per cent.



[1] United Kingdom: Domestic or import price for ingots at least 99.5 per cent pure delivered to consumers

[2] Brazil: 65 per cent fe, cif, North Sea ports

Data: IMF Research Department

Producers' stock, which had begun to accumulate substantially in 1975, reached excessive proportions by the beginning of 1977 and they continued to build up to the equivalent of more than six months normal annual consumption. INCO reported that by September its stocks, representing about 55 per cent of the world total, were three times their normal level.

undercutting suspected

INCO's published price, recognised as the representative price of nickel, had been raised from $2.20 to $2.41 a pound in September 1976. Apart from a few weeks in April, it remained unchanged until July 1977, when INCO rescinded the September 1976 price increase and announced that it would no longer publish a price. INCO suspected that other producers were undercutting its published price in order to capture larger share of the very weak market. In December, most producers appeared to be returning to a system of publishing their prices.

The outlook for 1978 shows no significant improvement in the nickel market. Even with substantial growth of demand for steel and alloys, which is unlikely, producers of nickel will take some time to reduce their stocks to more normal level before restoring idle capacity to production.

Iron Ore: Iron ore was affected even more adversely than the non-ferrous tals by slow industrial growth in 1977. orld demand for steel was very depres-.. With producers in many countries erating at only 60 to 70 per cent of pacity, western output was below the 76 level by an estimated five per cent.

Uncertainty about economic growth led reduced investment in new plant and uipment, which seriously affected the emand for steel. The poor world de-and for steel and strong price compe-tion had repercussions on the iron ore arket. Although western production of on ore in terms of iron content, increased y an estimated six per cent over 1976, orld trade may have contracted equally.

contract prices

Only about a third of world trade is onducted at open market prices, which ary according to the form and quality of the ore and to the shipping arrange-ments. A representative market price or Brazilian ore averaged $ 21.6 per ton n 1977, about three per cent less than in 1976. Probably a little more than a third of the trade is carried on at contract prices, negotiated a year or more ahead. These prices are seldom made public, but they may have advanced by about 10 per cent over 1976 prices.

Australia is by far the world's largest exporter of iron ore, with the bulk of its exports sold under contract. In 1977 its earnings were probably a little higher than in 1976. In aggregate, the major developing country exporters, accounting for about half of western trade, are believed to have earned about eight per cent less than in 1976.

During the year, the Association of Iron-Ore Exporting Countries, whose 11 members (Algeria, Australia, Chile, India, Liberia, Mauritania, Peru, Sierra Leone, Sweden, Tunisia, and Venezuela) account for threefourths of western exports, established its headquarters at Geneva and met before UNCTAD's first preparatory meeting on iron ore, held in October in the context of its Integrated Programme for Commodities. At the preparatory meeting, it was generally accepted that because of its diversity in form and quality iron ore was ill suited to price stabilisation through an international buffer stock agreement.

Courtesy : IMF Survey

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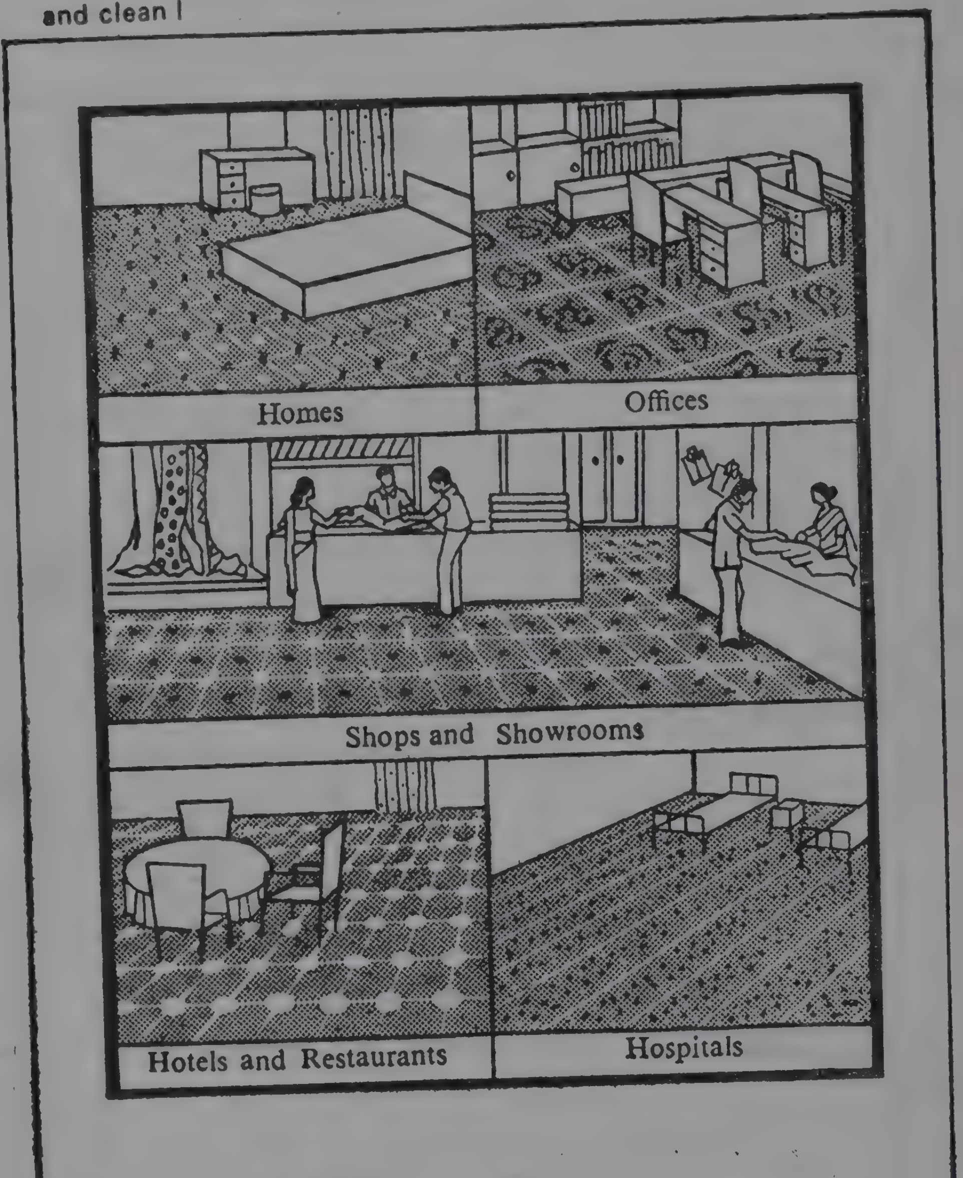

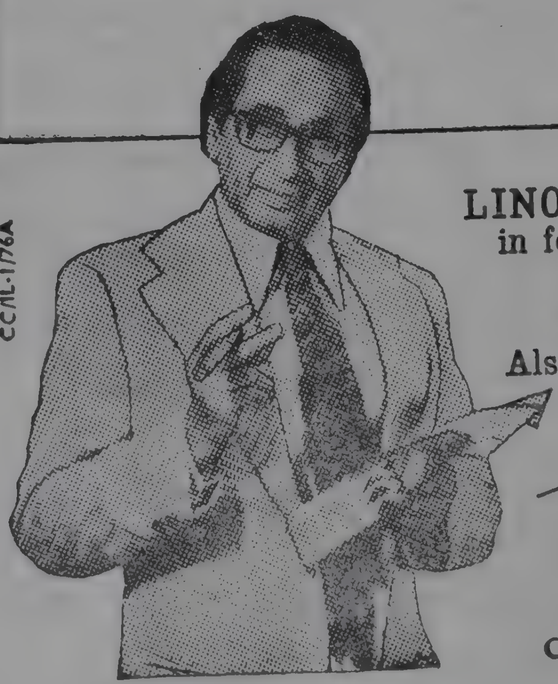

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MOVING FINGER

Acharya Kripalani or rather his further presence in public life seems to be the first casualty of the Janata party's first anniversary. The Acharya has declared himself to be a political sanyasin, if not a spiritual one. He seems to have done this in the mood of "a plague on both your houses". That this act of renunciation has come in the wake of the trouble in Bihar may not entirely be free from a cause-and-effect implication. The Acharya has never had a very high opinion of our political leaders or the game of politics as played by them. But he too is human and this explains his participating in the staging of that celebrated oath of allegiance at Rajghat on the morrow of the Janata party assuming office at the centre.

Having lent a hand at this ritual, the Acharya has been resolutely trying to look at the brighter side of things. But the Patna disturbances seem to have persuaded him that the monkey which refuses to see evil when evil is very much there is, in reality, no wise philosopher, but a stupid and stubborn beast. Others have seen the evil earlier than the Acharya has, but having seen it at last, he realises clearly its immense potential for further evil.

Hence perhaps his wanting to qualify his withdrawal from public life. *Sambhavami Yuge, Yuge*—declaims the Acharya in the Gita spirit of acceptance of responsibility so that Good may triumph and Evil be destroyed, not finally, as the simple-minded suppose, but from epoch to epoch as Lord Krishna, having no illusions about human nature or the human destiny, has prescribed.

Mr Raj Narain, who by his words or deeds, has been raising the blood pressures of his Janata colleagues all these days, is now reported to be afflicted with high blood pressure. I wish him speedy recovery, of course, but he is not making things easy for his well-wishers. The prime minister seems to have advised him that he should suspend his political peregrinations for a while and remain in Delhi for rest and recuperation. Whether Mr Desai also offered Mr Raj Narain the hospitality of No. 1, Safdarjang Road so that the latter could have the benefit of naturopathy or any other appropriate system of medical treatment under Mr Desai's own personal supervision is not known. What is public knowledge, however, is that Mr Raj Narain has chosen to go into the All-India Institute of Medical Sciences for his cure.

Even the VIP suites in the Institute, however, are not big enough to contain the large and ebullient political frame of the Health minister. So we hear of him addressing his faithful flock at Rae Bareli, assuring it that "no non-Rae Bareli man will get employment" at the switching equipment factory which the Indian Telephone Industries, a central government undertaking, is building in that town, at a cost of Rs 22 crores. Press reports also say that, turning to Mr Brijlal Verma, Communications minister, who was by his side, Mr Raj Narain exacted a promise from him that the Rae Bareli employment exchange register would be scrutinised carefully to ensure that "surreptitious entries by outsiders are not made". It may be recalled that Mrs Gandhi was criticised because her government had chosen her constituency for siting the telecommunications complex. Subsequently Mr Sanjay Gandhi was accused of drafting his Maruti clansmen for employment at this project and thereby denying legitimate work opportunities to the local people. I presume that Mr Raj Narain sought and obtained the forgiveness of *Bharat Mata*, whose grace he so often feels he needs, before he went to town with his own version of some Indians being more Indian than other Indians. We are all sons of the soil, no doubt, but, as any farmer knows, the soil is not the same everywhere.

Let nobody get the impression that I can see no good in Mr Raj Narain. There is, of course, a lot in him to admire. Take, for instance, the doughty fight he is putting up against certain other Janata leaders, who seem to be over-anxious to avoid a post-mortem of the party's performance in the recent assembly elections. The question is not whether Mr Raj Narain may not be mistaken or may not have his own motives when he makes certain allegations against those Janata leaders who were directly responsible for the strategy or tactics of the organizational apparatus of the Janata election campaign. The fact is that Mr Chandra Shekhar, the Janata party president, did take it upon himself to determine to a large extent, perhaps to a decisive degree, the policies and programmes for fighting these elections.

It is therefore only proper that the party should not shy at fixing responsibility for the Janata election failures, or, what is more important, making a reassessment of the assumptions on which the Janata election campaigns were planned or pursued. So long as this necessary self-examination is evaded or even delayed, Mr Raj Narain cannot be faulted on his efforts to keep the heat on those Janata leaders who, for reasons of their own, would rather not have their linen washed in public. Especially in view of the strange goings-on in respect of the selection of Janata candidates for the Rajya Sabha it is difficult not to sympathize with any effort which may contribute, whether directly or indirectly, to the promotion of reasonably open politics in the government of the ruling party in the nation.

VB

TRADE WINDS

Export Duty on Coffee Reduced

HAVING REGARD to the fall in international prices of coffee recently, the central government have reduced the rate of export duty on coffee from Rs 700 per quintal to Rs 500 per quintal with effect from March 16, 1978.

Paper Output

Although the total production of paper and paper board had increased by more than 50,000 tonnes in the year 1977, the percentage of production of writing and printing papers had declined, resulting in shortages of common varieties of paper, and some mills had taken advantage of the situation to effect steep increase in the prices of some varieties of paper.

To correct this imbalance, government have issued, in exercise of the powers vested under Section 3 of the Essential Commodities Act, 1955, an order entitled the Paper (Regulation of Production) Order, 1978. The order stipulates *inter alia* that mills with an installed capacity of 25 tonnes per day or more should produce white printing paper to the extent of at least 30 per cent of total production and five other common varieties of writing and printing papers (cream laid or wove paper, coloured printing paper, duplicating paper, offset or litho paper and typing paper) to the extent of at least 33 per cent of total production, of which not less than 20 per cent shall be cream laid or wove paper.

It is expected that this would result in increased availability of commonly used cultural papers particularly creamlaid or wove paper, and consequent easing of the price situation. The order also stipulates that manufacturers shall stamp the ex-factory sale price and retail sale price on their products. The Paper (Control of Production) Order, 1974, has been repealed simultaneously.

WFP Dairy Project

India and the World Food Programme have signed an agreement extending the WFP assisted project in the field of animal husbandry and dairy development for another year. WFP had committed a supply, free of cost, of 42,000 MT of butter oil and 1.26 lakh MT of skimmed milk powder over a five year period ending June 30, 1975. The project was subsequently extended for a period of three years ending June 1978. It is now extended by another year i.e. upto June 30, 1979. The agreement was signed by the secretary (Agriculture & Rural Development), Mr G.V.K. Rao, on behalf of the government of India, and Mr G.N. Vogel, executive director of the World Food Programme.

These commodities supplied by the WFP are sold by the Indian Dairy Corporation to the public sector dairies at approved prices and the funds generated are used for taking up various activities connected with animal husbandry and dairy development in India. The Mother Dairy in Delhi has been constructed with funds available under this project. Originally the sale of these commodities was expected to generate funds equivalent to Rs 95.40 crores but as a result of subsequent revision of transfer prices, the total generation of funds is expected to be of the order of Rs 116.40 crores.

The World Food Programme has a pledge of 750 million dollars for the biennium 1977-78 and a higher target of 950 million dollars has been fixed for the next biennium 1979-80. It has provided substantial commodity assistance to India since its inception. Of the 48 projects, 15 are presently in operation or in various stages of operation. These include projects in the field of command area development, forestry, institutional feeding, special nutrition programme and the animal husbandry and dairy project (Operation Flood). The World Food Programme had also provided 720 tons each of skimmed milk powder and butter oil for cyclone affected areas in southern India.

Coal Reserves

Detailed geological exploration work for fulfilling coal requirements during the plan period 1978-83 is nearing completion. This is being done especially for meeting the requirement of the increased thermal power generation envisaged in the future. This information was given by the minister for Energy, Mr P. Ramachandran in the Lok Sabha recently.

It is also been planned that exploration drilling required for coal production in 1992-93 will be completed seven years in advance. Mr Ramachandran stated that according to the present set up, the first stage of exploration by geological mapping and initial drilling is conducted by the Geological Survey of India. When coal belt areas have been identified by the GSI detailed exploration by extensive drilling is arranged by the coal companies.

Backward and Tribal Areas Development

In the next Plan an integrated rural development programme is envisaged to improve the lot of the population which is below the poverty line. This was stated by Mr Morarji Desai, prime minister, in a written answer to the question in the Lok Sabha recently. He added that the sub-plans covering 23 million tribal population will continue in the next Plan. The Plan is currently under consideration. The programme within these sub-plans will be re-oriented in consonance with national objective of full employment within a specified period so as to generate additional income for the tribal families. The major thrust will be on improvement of agriculture, horticulture, minor irrigation, forestry-oriented programmes, marketing and education.

On the survey of economic condition of Chhotanagpur and Santhal Parganas in Bihar, the prime minister said that a special authority named 'Chhota Nagpur and Santhal Parganas Autonomous Development Authority' was created for formulating the development plans for this area. The role and functions of this authority have been reorganised recently to make it effective. In addition to outlays of the state plan in different sectors of development, a tribal sub-plan covering 112 blocks is being implemented in this area with special central assistance. This sub-plan specifically aims at narrowing the gap in the level of development between the tribal and other areas. The Chhota Nagpur and Santhal Parganas Autonomous Development Authority coordinates and supervises the preparation of the sub-plan for the area and its implementation and also makes assessment of the resource-endowments, the socio-economic conditions of the people and the potential of the area.

Dynamic Role for Cooperative Sector

The cooperative movement must develop as an important autonomous, self reliant and politically neutral movement serving the interest of consumer within the country. This was stated by Mr Mohan Dharia, minister of Commerce, Civil Supplies & Cooperation recently, while inaugurating the sixth meeting of the general council of the National Cooperative Development Corporation (NCDC). He said that the government was committed to develop a viable public distribution system throughout the country in order to bring price stability. In this regard, he referred to the new public distribution scheme which has been worked out by the government of India and circulated to state governments for their comments. He said that it would not only be a distribution scheme but cater to the production aspects as well.

The cooperatives will have to play a very wide and significant role in its achievement specially in the rural areas, he stressed. He felt that while opening new centres of public distribution priority should be given to consumer cooperatives through village panchayats. Mr Dharia exhorted the NCDC to play more dynamic role in the implementation of the cooperative programmes and to develop into a truly national level organisation for the development of the entire cooperative sector in the country.

Rural Electrification

The Rural Electrification Corporation has sanctioned 99 new projects involving a total loan assistance of about Rs 35 crores. As many as 19 states will benefit from these projects. Together, the new projects covering about 7,500 villages provide for the energisation of more than 24,300 irrigation pumpsets/tube wells and nearly 3,000 small industries in rural area. Also, more than one lakh domestic and commercial services and street lights will be connected in the scheme areas.

A significant feature of the new sanctions are 19 special projects approved under a new category of loan known as Special Projects Agriculture—(SPA), which has been designed especially for energisation of irrigation pumpsets and tubewells to promote agricultural production. For these special projects, an aggregate loan assistance of over Rs 4.8 crores will be provided to 10 states. SPA is a short duration, quick-result-yielding scheme especially introduced to cover energisation of irrigation pumpsets in potential areas for the purpose of giving an immediate fillip to farm production. The corporation has also introduced a new scheme known as Special Project (Industries) to promote the rapid growth of agro-based and other small-scale industries in rural areas covering towns with population ranging upto 50,000.

With this the total number of projects sanctioned by REC so far, has increased to over 1,880. The loan assistance for these projects aggregates over Rs 773 crores. These schemes together cover nearly 1.4 lakh villages which is about one-fourth of the total number of villages in the country. On completion the schemes will energise more than 9.2 lakh irrigation pumpsets and tubewells and over 1.4 lakh industries in the rural areas. Other services including street lights exceed 39 lakhs.

Rail Electrification Project

The Planning Commission has cleared a power supply scheme for electrification of railway track between Waltair and Kirandal in Andhra Pradesh. The estimated cost of the scheme is Rs 197.00 lakhs. The scheme envisages extension of power supply at five points by constructing 40 km of new lines, establishment of switching stations and extension of existing sub-stations. The scheme also provides for equipments at the traction sub-stations. The supply of plant and equipment will be from indigenous sources.

Foreign Demand for Indian Pig Iron

The minister of state for Steel and Mines, Mr Karia Munda, told the Lok Sabha recently that there was considerable demand for Indian pig iron abroad and there were limited enquiries for special steels as well. The export contracts pending were to the extent of one hundred thousand tonnes of pig iron, while negotiations were also in progress for the export of additional quantities: under the Trade Plan provisions. Mr Karia Munda further informed that the production of saleable steel from the integrated steel plants during April 1977 to February 1978 totalled 6.30 million tonnes as against 6.26 million tonnes in the corresponding period of 1976-77.

Gujarat State Financial Corporation

The new entrepreneur scheme presently administered jointly by Gujarat Industrial Investment Corporation Limited and Gujarat State Financial Corporation will be administered by GSFC only with effect from April 1, 1978. Prospective entrepreneurs desirous of availing the assistance under this scheme have been advised to approach Mr N.S. Ayachit, Co-ordinator, NES from April 1, 1978 onwards at the following address: Co-ordinator, New Enterpreneurs Scheme, Gujarat State Financial Corporation, Vallabh Sadan Building, Ashram Road, Ahmedabad.

AIEI's Estimates on Budget

Association of Indian Engineering Industry has estimated that the initial impact would increase prices of a large number of industrial goods by 6 per cent to 8 per cent. For a large variety of engineering products the minimum cost increase is estimated at 10 per cent. The minimum approximate price increase for a few items are: Petroleum 4 per cent; tyre 5 per cent; aluminium 10 per cent; polyester fabrics 6 per cent; soaps and detergents 3 per cent; paper 2 to 6 per cent; cartons 5 per cent; tin containers 2 to 3 per cent and aluminium products 6 to 7 per cent.

At a time when high present levies are already hindering greater utilisation of capacity, such a regressive step might breed further demand recession, squeeze savings and reduce our trading advantages. The industries which are unable to transfer this burden would have to absorb this and in the process might become "sick", the AIEI stated.

Tax on Advertising

The executive committee of the Advertising Agencies Association of India (AAAI) which met on March 1, 1978 viewed with grave concern the proposal to tax advertising expenditure. The president of the AAAI, Mr Subhas Ghosal, has addressed a telegram to the Finance minister stating that the measure might eventually lead to curtailment of consumer's freedom of choice. Any curb on advertising would retard industrial growth at a time when the prime need of the economy was to generate and stabilise demand for products allowed to be manufactured by government licensing. He added that advertising agencies and allied industries would be hard hit by the proposed measure and many people such as artists, copywriters, photographers and process engravers might be thrown out of employment and, precisely because of their specialist skills, might not be able to find alternative employment.

The executive committee of the Delhi Advertising Club, at its emergency meeting, condemned the restriction imposed on advertising expenditure in the union budget. The committee expressed grave concern over the taxation proposals as it felt that the economic and social implications of the measure, in fact, ran contrary to the Janata party's election manifesto and, in contrast. were a deviation from the established and well-set economic and financial r of the country.

Indian Assistance f Roads in Afghanist

India has promised all p sible help in the construct of roads in Afghanistan. T will include loaning of servi of Indian engineers and tra ing of engineers from Afg nistan. The assurance given by the minister for Sh ping and Transport, Chand Ram, when an Afgh delegation, currently visit India, called on him recen The 5-member delegation

Directorate of Purchase and Stores

Director, Directorate of Purchase and Stores, Department of Atomic Energy, Bombay, invites tenders as detailed below:

1. DPS/PPED/ELE/492 due on 5.4.78. Manufacture, testing, packing and delivery of copper conductor cable of 650/1100 V and 250/440 V grade of 1 pair, 3 pair and 10 pair as per purchaser's specification. Quantity 102 KM.

2. DPS/AMD/LAB/369 due on 6.4.78. Platinum laboratory wares to our specifications 99.9% purity. 123 Nos.

3. DPS/HWP/POL/363 due on 6.4.78. Polyamine cured epoxy resin system (room temperature cured). 1975 Kgs.

4. DPS/NFC/ENG/362 due on 7.4.78. Hand gloves in chrome leather asbestos and PVC, as per tender specifications for Nuclear Fuel Complex, Hyderabad. Qty. 2850 Pairs.

5. DPS/BARC/FAB/151 due on 7.4.78. Manufacture and supply of Tube Bundle assembly suitable to 'SERCK' after cooler type HC for use in compressed air system, as per purchaser's specification and drawing. Qty. 2 Nos.

6. DPS/NAPP/PPED/FAB/42 due on 10.4.78. Design, manufacture, inspection, testing and shipment of flexible joint assembly as per purchaser's specification and drawing. Qty. 2 Nos.

7. DPS/NFC/ENG/361 due on 11.4.78. Fabrication of coolant tank 6m³ capacity, as per drawing and tender specifications for Nuclear Fuel Complex. Qty. 1 No.

8. DPS/PPED/ELE/496 due on 18.4.78. Manufacture, design, testing, inspection, delivery and guarantee of 6 twisted pair and 16 pair, 20 AWG Iron-constant thermocouple extension cable as per purchaser's specifications. Quantity 2000 meters.

9. DPS/RRC/FAB/207 due on 11.4.78. Manufacture, inspection, supply, properly packed and delivery at Fast Breeder Test Reactor Site, Kalpakkam of soft pig lead castings along with their individual moulds (mild steel) confirming to purchaser's tender specification and drawing. Qty. 15 MT.

10. DPS/BARC/FAB/150 due on 12.4.78. Fabrication supply and installation of mild steel storage tanks as per purchaser's drawing. Qty. 2 Nos.

11. DPS/RRC/ENG/231 due on 12.4.78. Antimonial lead shots, as per tender specifications for FBTR Project, Kalpakkam, Tamil Nadu. Qty. 10/35 MT.

12. DPS/BARC/MHD/MIA/58 due on 13.4.78. Temperature programmer-cum-controller. Linear programmer with heating and cooling rate between 1 to 20°C/min. with isothermal controller to control within ±1°C. Sensing element Pt vs Pt-10% Rh. thermocouple. Qty. 8 Nos.

13. DPS/NAPP/PPED/ENG/110 due on 13.4.78. Hard chrome plating of finish machined and fitting forgings as per drawing and tender specifications. Qty. 700 Nos.

14. DPS/RRC/PPF/215 due on 14.4.78. Supply of pneumatically operated control valves as per purchaser's tender specifications.

15. DPS/BARC/CAP/2774 due on 14.4.78. Stainless steel steam for fluid transfer capacity 10 liters/minute as per purchaser's specificatio 25 Nos.

16. DPS/BARC/CAP/2793 due on 17.4.78. Design, manufactu testing, supply, delivery and guarantee of plunger pumps capacity 9.12 min. 1 No. and capacity 4.56 lit/min. 1 No. as per purchaser's ten document.

17. DPS/NAPP/PPED/FAB/44 due on 17.4.78. Manufacture, insp tion, packing and supply of the spline drive shafts as per purchaser's spe fication and drawing. Qty. 6 Nos.

18. DPS/NAPP/PPED/FAB/46 due on 18.4.78. Design, preparat of shop drawings, manufacture, inspection, shop testing supply, guaran and delivery to Narora Atomic Power Project Site, Narora of modera heat exchangers as per purchaser's tender document. Qty. 4 Nos.

19. DPS/AMD/STY/243 due on 20.4.78. Offset printing mach with standard segment size 220 x 370 mm. 1 No.

20. DPS/NAPP/MIA/53 due on 24.4.78. Polyphase meter test bench with the necessary accessories, for testing, adjusting and calibrat 30 Nos. 230 V, single phase or 10 Nos. 400 V 3 phase 3/4 wire meters standard rating at a time complete with automatic circuit breaker. 1 No.

21. DPS/BARC/EEQ/3005 due on 24.4.78. Fabrication and paint of panel cubicles & louvers of various sizes.

22. DPS/PPED/MIA/502 due on 26.4.78. Controller display u with complete set point and manual control potentiometers having rat 10 K, Linearity ±0.5% rotational life 1,000,000 shaft revolutions or m with deviation indicator, output meter transfer switch etc. Qty. 50 Nos.

23. DPS/BARC/CAP/2766 due on 26.4.78. Design, supply, erect and commissioning of furnace charge handling system comprising buc elevators, belt conveyors, grab buckets etc. to transfer a total of 5 tonne charge to feed bins of 2.5 tonne each per hour, as per purchaser's specifi tion and drawing. 1 Unit.

Tender documents priced Rs 10/- each for items 2, 3, 4, 12, 19, Rs 15/- each for items 7, 11, 22; Rs 20/- for item 13; Rs 25/- each items 5 15, 16, 23; Rs 50/- each for items 6, 9, 10, 14, 17, 8; Rs 100/- ea for items 1, 21 and Rs 300/- for item 18 and general conditions of contra priced Re 0.50 P for all items except for items 5, 6, 9, 10, 17 & 18 can had from the Finance and Accounts Officer, Department of Atomic Ener Directorate of Purchase & Stores, 3rd Floor, Mohatta Building, Pal Road, Bombay-400001 between 10 a.m. to 1 p.m. on all working d except on Saturdays for all items except items 15, 16, 23 for which ten documents available upto 6.4.78, 12.4.78 & 20.4.78 respectively. Importa licence will be provided only if the items are not available indigeneou for items 4, 7, 11, 13 to 16 & 23. Tenders will be received up to 3 p.m. the due date shown above and will be opened at 4 p.m. the same day. T right is reserved to accept or reject lowest or any tenders in part or f without assigning any reasons.

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ed by the Afghan minister or Public Works, Ghasuddin ayeq.

State Budgets

erala

The Kerala budget for 1978-9 presented to the state asembly by the finance minister, Mr M.K. Hemachandran shows n overall deficit of Rs 11.98 crores. On the revenue account, the receipts are estimatd at Rs 473.38 crores and expenditure at Rs 471.42 crores eaving a surplus of Rs 1.96 crores. The Finance minister expects to raise Rs 2 crores or next year by framing necessary statutes to give effect to he sales tax increases announced in his last year's budget. He also proposed additional sales tax at 10 per cent of the current rates on the sales during 1978-79 to raise Rs 10 crores. The Finance minister said the state had to bear the loss of sales tax over and above the amount of Rs 45 crores for the three years ending with 1978-79 as assessed by the central government consequent on the amendments to the Central Sales Tax Act. The state government has estimated this loss at Rs 70 crores.

The Planning Commission officials had during discussions held in January last, expressed the view that the state should meet the entire loss till the end of 1978-79 after which the award of the Seventh Finance Commission might govern such situation. Against this background, setting aside the loss of Rs 46 crores the government proposes to raise an amount of Rs 10 crores out of the remaining Rs 26 crores by way of additional taxation till the award of the commission took effect.

Several new measures including schemes for relief to unemployed youth and price support for paddy and tapioca and increase in DA to government employees from January this year were announced. The other schemes announced included increased financial assistance to films produced within Kerala, enhanced payment from fishermen's relief fund, provident fund for advocates, financial help for the children of ex-servicemen and widows towards marriage expenses of their daughters and subsidised housing for journalists involving an additional expenditure of Rs 21.20 crores for next year. Mr Hemachandran said the government had made a provision of Rs 5 lakhs for a subsidised housing scheme for journalists for next year. The subsidy given for films shot fully within Kerala will be increased from the present Rs 25,000 to Rs 50,000. The present grant of Rs 3,000 towards relief paid to families of fishermen who meet with accidents while out in the sea is to be enhanced to Rs 5,000.

Rajasthan

New levies to yield Rs 6 crores have been proposed in the Rajasthan budget for 1978-79, presented to the state Vidhan Sabha by the Finance minister, Mr Adityendra. The new levies have been confined only to liquor whose price has been substantially raised. Besides a five per cent increase in the sales tax and the excise duty by Rs 3 per litre, the renewal fees for liquor shops are proposed to be increased by 100 per cent. Other special features of the Rs 34.22 crores deficit budget are the complete withdrawal of sales tax on gobar gas plants and exempting the waqf properly from lands and buildings tax. Sales tax on tractors has been reduced from five per cent to four per cent, besides lowering the passenger and goods tax on tractor trolly from Rs 840 per annum to Rs 450.

A number of concessions have been given to Khadi and Village Industries. Products of the 22 industries mentioned in the All-India Khadi and Village Industries Act 1956, are exempted from the state and central sales tax. On iron ore, the sales tax has been raised from three per cent to four per cent. The revenue receipts during 1978-79 have been placed at Rs 588.16 crores and the expenditure at Rs 506.16 crores. The surplus on revenue account was thus shown at Rs 29.45 crores.

In the capital account, however, a deficit of Rs 58.50 crores was shown as indicated from the capital receipts, placed Rs 162.86 crores and the expenditure at Rs 221.36 crores. The budgetary gap during the year was Rs 29.05 crores. It would however, increase to Rs 34.22 crores after adding the carry-over deficit of the current year and the carried over draft of Rs 7.48 crores. Sales tax on worsted and semi-worsted woollen yarn including carpet yarn from seven per cent to two per cent has been proposed.

Mr Adityendra, proposed to meet the gap by floating rural bonds and extending the state Insurance scheme to employees of the panchayat raj institutions, state public sector undertakings and local bodies. These steps would yield Rs 22.50 crores.

Jammu & Kashmir

The Jammu and Kashmir budget shows an overall deficit of Rs 40 crores, despite some fresh imposts to raise resources for Plan expenses. The Finance minister, Mr D.D. Thakur, pointed out that the centre had agreed to provide assistance to cover the entire deficit. Mr Thakur announced two successive increases in the dearness allowance rates of state government employees, effective from January 1 last and April 1, in partial fulfilment of the National Conference's election pledge to raise the DA to central rates. The employees, numbering abont 150,000 would benefit by Rs 45 to Rs 155 as a result of the decision to give them D.A. ranging from 88 per cent of the central rate at the lowest level and 70 per cent of the central rate at the highest level from next month. He also gave an additional dearness allowance of Rs 10 to all pensioners and of Rs 8 to permanent daily wagers in all departments and to the village chowkidars. He raised the sales tax exemption limit from Rs 15,000 to Rs 50,000 in the case of all traders, and to Rs 1 lakh in the case of halwais, bakers, dhaba wallahs and hoteliers.

Mr Thakur proposed an increase of 50 paise to Re 1 per bottle in the price of country liquor in order to discourage drinking. He also proposed a raise of Rs 1 per litre in the duty payable on luquor imported by the army and the canteen stores department. He announced small increases in the water charges to fetch Rs 6 lakhs. In spite of this decision, water fees in the state would be only a fraction of those obtaining in neigh-

South India Shipping Corpn Ltd

In our issue dated December 2, 1977, in the Chairman's speech, in the last column under the head Indian Tonnage the figure 8.58 million DWT should read as 8.53 million DWT. The correction indicated on page 174 of Eastern Economist dated January 27, should be ignored.

bouring states. He said a small rationalisation would be made in the tax rates on forest products such as guchhi, katha and diascorea. The items, which did not affect the low-income consumer, would be taxed at seven per cent. Honey, flower seeds and vegetable seeds were granted exemption from sales tax. He added that rationalisation of other taxes, especially in respect of luxury goods, would follow in the course of the year.

Mr Thakur estimated the revenue receipts and capital receipts for 1978-79 at Rs 151.27 crores and Rs 230.66 crores respectively and revenue expenditure and capital disbursements at Rs 164.07 crores and Rs 249.09 crores respectively, leaving a net deficit of Rs 31.24 crores in the non-plan budget. The deficit on the plan account was put at Rs 17.76 crores, raising the overall deficit to Rs 49.00 crores. He gave the following revised estimates for the current year: revenue receipts Rs 174.10 crores; revenue expenditure Rs 171.15 crores; capital receipts Rs 319.56 crores; capital disbursements Rs 322.50 crores.

New Initiatives of IFFI

The International Fellowship Foundation of India, (IFFI) which has been fostering research, training and scholarship in tourism since the early seventies, has now instituted the Mohinder Sethi Scholarship Fund to promote specialisation in catering and hoteliering. In the process, the fund will commemorate the services of a leader to the world of catering and hoteliering. The Mohinder Sethi Scholarship Fund, with an initial capital of nearly a lakh of rupees will grant scholarships on the basis of merit and means. The scholars will be trained at one of the national catering centres situated respectively in Delhi, Bombay, Calcutta & Madras. The two scholarships released so far in 1978, have gone to a candidate each from Madras and Delhi. This scholarship scheme will be managed under the overall control of the International Fellowship Foundation Fund of India (IFFI). The Foundation whose trustees are: Messrs Inder Sharma, G. shband and Mohinder was set up in the early se to cater to the vast traini quirements of tourism is a large flourishing in today.

Names in the News

Mr J.G. Boyle, financial adviser to the Burmah Group in India, since 1972, a director of Oil India (OIL) and the Tinplate Company of India (TCIL) and presently a member of the Burmah's team for negotiations with the government of India on the latter's proposed take over of the Burmah's 50 per cent equity in Oil India (OIL) and 100 per cent assets in the Assam Oil Company (AOC) now returns to the Burmah headquarters in Swindon, the UK. Mr Boyle will pay periodic visits to represent Burmah's financial case in negotiations until the process of inducting Oil India (OIL) and the Assam Oil Company (AOC) into the public sector is finally completed. A chartered accountant, Mr J.G. Boyle, joined the Burmah Oil Company in 1958 and first served in Rangoon, Chittagong and Karachi before his posting to Digboi and Delhi. He also worked as chief accountant of one of the Inchcape Group of companies operating between Baghdad and Muscat.

Mr J.G. Boyle

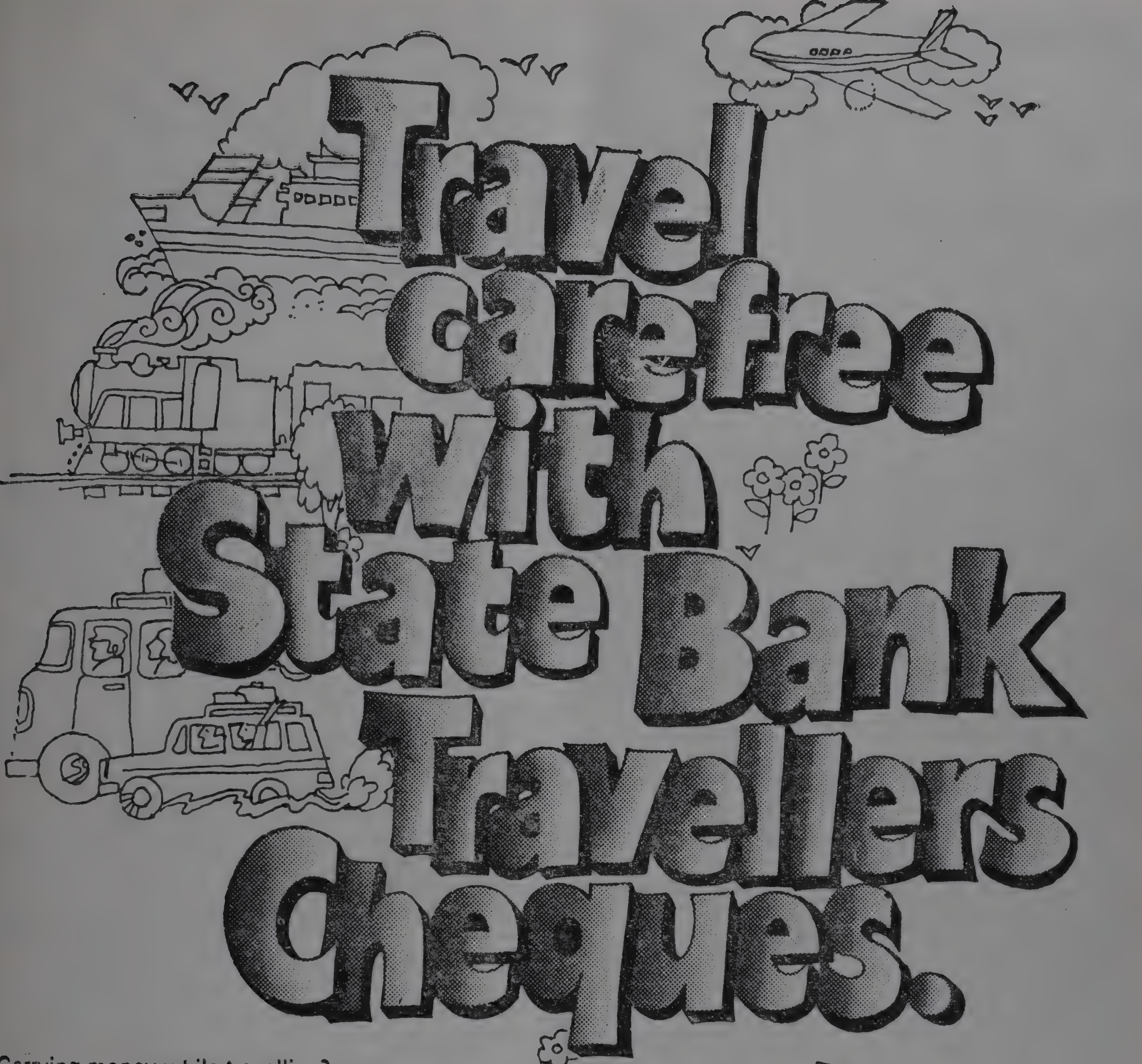
Mr Russi Mody, managing director, Tata Steel, has been appointed chairman of The Indian Tube Company Limited, in place of Air Marshal P.C. Lal, who has joined as the full-time chairman of Indian Airlines and Air India. Mr Mody, who has spent 38 years with Tata Steel—the past four years as its managing director—has been on the board of Indian Tube since 1972. Mr H. Chakravarti, deputy managing director, has moved up as managing director of Indian Tube.

Mr Russi Mody

Mr Faiz A. A. Jasdanwalla, alternate President of the Associated Chambers of Commerce and Industry of India, has been appointed a director of the central board of the State Bank of India and president of the local board of the State Bank, Bombay. nected with the metal inc for a long time, Mr Ja walla was the first Asian elected to the executive mittee of the Internat Committee of Foundry Te cal Association and late vice-president and presi He is a former Presiden Association of Indian E neering Industry.

Mr V.P. Sarma, Finar Controller of Bharat E Movers Limited, has been moted as the General M ger (Finance) of the comp and has assumed charge his new office. Mr Sarma a fellow of Institute of C and Works Accountants India. In Indian Defence A counts Service he had vari experience as Deputy Contro ler of Defence Accounts, Ass tant Financial Adviser etc the associated accounts a finance of ordinance fact ries.

Mr V. P. Sarma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COMPANY AFFAIRS

Cadbury India

CADBURY INDIA has reported an all-round improvement in its working results for 1977. An equity dividend of 12 per cent has been declared for 1977 on the enlarged capital of 1.49 million shares of Rs 10 each resulting from the issue made in July 1977. The new shares will be entitled to a pro rata dividend on the amount paid up during part of the year.

The dividend is covered more than two and-a-half times by the year's earnings. According to the preliminary statement, sales have risen from Rs 14.16 crores in 1976 to Rs 16.66 crores in 1977. The gross profit increased from Rs 122.67 lakhs to Rs 145.13 lakhs. After providing Rs 24.73 lakhs (Rs 19.56 lakhs) for depreciation Rs 6.77 lakhs (nil) for investment allowance and Rs 61 lakhs (Rs 61.75 lakhs) for taxation, the net profit works out Rs 52.83 lakhs (Rs 41.36 lakhs). Dividends will absorb Rs 22.11 lakhs.

New Product

A sum of Rs 14.01 lakhs (Rs 5.69 lakhs) has been transferred to general reserve. A major event during the year was the starting of the cocoa butter substitute plant in November. All the output from this plant will be exported. Total exports during 1977 were higher at Rs 184.9 lakhs against Rs 52.7 lakhs in 1976. The company's continuing efforts on cocoa growing are yielding increased tonnage and substantial returns to the farmers.

India Steamship

Freight earnings of India Steamship Co in the first nine months of the current year (April-December 1977) have been improved to Rs 30.98 crores compared to Rs 26.99 crores in the same period of the previous year. This was mainly due to the availability of additional voyage days as a result of the additions made to the company's fleet strength during 1976-77. The mid-term report from the chairman, Mr K.K. Birla, revealed that the enhanced freight earnings may not bring about any improvement in the company's working results during 1977-78 as the same may be offset by an all-round increase in operational costs.

Mr Birla has pointed out that since the last annual general meeting held in September, 1977, there has been no improvement in the international charter market, which continued to be depressed at an uneconomic level, with the result that in certain cases even the depreciation and financing costs could not be recouped by operating the ships. Hopes of any early revival in the international tramp market have also not so far materialised and most experts believe that nothing tangible would emerge for the next three years. It was, therefore, apprehended that many shipping companies, belonging to both the developed and developing countries, may not be able to weather the storm.

Andhra Sugars

The Andhra Sugars has maintained the equity dividend at 12 per cent for the year ended September 1977. Sales were lower at Rs 13.53 crores against Rs 14.12 crores in the previous year, and the gross profit at Rs 254.14 lakhs against Rs 267.49 lakhs. After provision and adjustments, the disposable surplus is higher at Rs 123.15 lakhs (Rs 94.74 lakhs). Equity and preference dividend will absorb Rs 45.85 lakhs (Rs 45.47 lakhs). General reserve gets Rs 77.29 lakhs (Rs 49.25 lakhs). The company crushed during the year 213,000 tonnes of cane and produced 186,000 quintals of sugar, against 224,000 tonnes of cane and 224,000 quintals of sugar in the previous year. In the current year, the company hopes to crush about 300,000 tonnes of cane. It was expecting better results in the current year owing to better methods of cultivation and plantation of high yielding varieties, but the cyclone of November 1977 has adversely affected the working.

Usha Martin Black

The board of directors of Usha Martin Black (Wire Ropes) Limited proposed a dividend of 10 per cent on the equity shares of Rs 10 each for the year ended December 31, 1977 on increased capital against 17.5 per cent equity dividend for 1976 (before issue of bonus shares). The bonus shares allotted during 1977 in the proportion of one for one shall be eligible for full dividend, the equity and preference rights and other equity shares shall be entitled for dividend from the respective dates of allotment. In
of various economic constr
the company has show
gross profit of Rs 126.82
in 1977 (Rs 140.22 lakhs)
charging Rs 31.08 lakhs
29.84 lakhs) for deprecia
providing Rs 35.00 l
(Rs 49.20 lakhs) for taxa
and Rs 5.49 lakhs (Rs
lakhs) for investment allow
reserve, the disposable profi
the year and after adjustm
for previous years amo
to Rs 64.01 lakhs aga
Rs 54.53 lakhs during 1
registering an increase of
per cent. General reserve
Rs 35.19 lakhs against Rs 3
lakhs in the previous year.

The company has contin
to make all round progress
production and turnover. P
duction of the Ranchi fact
has gone up from 22,353 M
in 1976 to 24,505 M/T in 19
Sales and other income dur
the year have reached Rs 24
crores as compared to Rs 22
crores in the previous ye
Work on the company's w
rod mill at Adityapur at a c
of Rs 5 crores is progressi
satisfactorily and it is reaso
ably expected that barri
unforeseen circumstances co
mercial production will sta
by the end of 1978. The co
pany has also made an app
cation to the government f
its approval of the company
proposed joint venture
Yugoslavia at a cost of Rs 7
crores for setting up a facto
for manufacture of 5,200 M/
of wire ropes per annum.

Citurgia Biochemicals

Citurgia Biochemicals h
started commercial productio
of citric acid. According t
Mr Neville N. Wadia, chai
man, after extensive sterilit
tests of the fermenters, th
first fermentation run com
menced on January 10, 1978
The company has since the

een producing good quality alcium citrate and has accu-nulated over 150 tonnes of alcium citrate. The company nopes to produce 1,500 to ,700 tonnes of citric acid this vear, against its installed capacity of 3,000 tonnes. The Gujarat government has reserved for the factory's annual equirements of about 10,000 onnes of molasses from the eighbouring sugar factories. Mr Wadia has said that the working for the current year is expected to result in a reasonable profit to provide for depreciation and investment allowance. If all goes well, the company should be able to declare a maiden dividend for 1980, if not for 1979. The company has been able to keep close to the estimated capital cost of Rs 7.80 crores set out in the prospectus. It has been receiving an increasing number of inquiries for its citric acid both from Indian as well as foreign customers and it is in the process of sending them samples. The management is, therefore, optimistic that the company will be able to sell all of its production.

Indo-Lowen

Indo-Lowen Breweries has recorded improved sales during the year ended June 1977 to Rs 61.86 lakhs from Rs 42.93 lakhs, but the operations resulted in a loss of Rs 21.83 lakhs against a loss of Rs 30.34 lakhs in the previous year. The directors have attributed the setback in its working to demand recession as a result of unprecedented rains in the summer in the northern states. In view of serious financial difficulties the company has asked the consortium of banks to reschedule loan and interest payments. As the future of breweries has become uncertain because of the government's prohibition policy and huge capital investments leading to little scope for diversification, the company is making determined efforts to tap export markets for beer. Some orders are likely to be secured by the company from the USA, the UAE, and Gibraltor. It is also negotiating with a government agency for franchise for manufacturing Coca Cola type of breverages and other such formulations.

National Organic Chemicals

National Organic Chemicals Industries has reported improved working results for 1977, with equity dividend going up from 12 per cent to 14 per cent. According to the preliminary statement, sales have risen from Rs 63 crores in 1976 to Rs 68.86 crores in 1977. Gross profit increased from Rs 7.81 crores to Rs 12.75 crores. After providing Rs 440.23 lakhs (Rs 410.72 lakhs for depreciation, Rs 75 lakhs (Rs 64 lakhs for development rebate and investment allowance and Rs 400.14 lakhs (Rs 117 lakhs) for taxation, net profit works out at Rs 359.97 lakhs (Rs 189.58 lakhs). After bringing in Rs 180.10 lakhs (Rs 212.52 lakhs) from the previous year, the disposable surplus amounts to Rs 540.07 lakhs (Rs 402.10 lakhs). Dividend will absorb Rs 252 lakhs (Rs 216 lakhs). A sum of Rs 158 lakhs (Rs 6 lakhs) has been transferred to general reserve, leaving Rs 130.07 lakhs to be carried forward.

Universal Cans

Universal Cans and Containers has declared an equity dividend of 12 per cent for 1977. The company has fared well during the year. Its plant has run to full capacity. It has earned a gross profit of Rs 15.55 lakhs during 1977. After providing Rs 3.48 lakhs for depreciation, Rs 4.24 lakhs for development rebate reserve and Rs 5,800 for investment allowance, a sum of Rs 10.28 lakhs has been transferred to the general reserve, from which dividends absorbing Rs 2.70 lakhs will be paid.

Larsen and Toubro

An amicable settlement has been reached between the management of Larsen and Toubro Limited and the Bharatiya Kamgar Sena recently before Mr M.B. Dhurve, Additional Commissioner of Labour, Bombay. Both parties have agreed to refer the outstanding issues to adjudication/arbitration. To mitigate the hardship of the workers, the management has agreed to pay a recoverable advance/subsistence allowance. Workers who have been absenting themselves had been advised by the union to resume work from March 12, 1978.

Arlabs

Arlabs has reported improvement in sales during the year ended June, 1977 to Rs 5.25 crores from Rs 3.30 crores in 1975-76. Export incentives improved from Rs 49 lakhs to Rs 77 lakhs. Equity dividend has been maintained at 12 per cent. After providing Rs 17.79 lakhs (Rs 10.09 lakhs) for depreciation, Rs 5.81 lakhs (Rs 65.250) for investment allowance and Rs 29.40 lakhs (Rs 23.73 lakhs) for taxation, and after making some adjustments, a sum of Rs 60,000 (Rs 38,300) has been transferred to general reserve No 1 and Rs 12.13 lakhs (Rs 13.90 lakhs) to general reserve No 2. Equity dividend will absorb Rs 4.92 lakhs (same) and preference dividend will absorb Rs 14,685 (same). Last year, dividends were paid from the general reserve No 2.

Exports were higher at Rs 2.87 crores against Rs 1.54 crores. In the first eight months of the current year (July 1977 to February 1978) sales have amounted to Rs 3.52 crores. But some hitch has developed in the lagre Russian order entered into last year for Rs 12 crores to be completed in three year, 1977 to 1979. But for this, the company's sales for the current year ending June 1978 would have been better resulting in good profitability. The management is trying to retrieve the position. If the hitch in Russian order is not settled, it would mean a loss of about Rs 50 lakhs per annum. Efforts are being made to develop other markets also.

Rathi Ispat

The working of Rathi Ispat during the year ended June 1978 resulted in a loss of Rs 10.91 lakhs on a turnover

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of Rs 1.39 crores against the loss of Rs 31.40 lakhs on a turnover of Rs 1.64 crores in the previous year. During the year, the plant remained closed for the whole of the year. However, the company continued to be engaged in rerolling activities on job charges basis. It rolled 7,184 tonnes of bars. The company has sought government permission for diversifying its activities. In the first seven months of the current year, it has rolled 5,450 tonnes of bars and has already made sales of Rs 1.10 crores. It also expects to restart the closed plant by April 1978.

Bharat Vijay Mills

Bharat Vijay Mills, Kalol, north Gujarat, has turned out good results for the year ended December 31, 1977. Sales have risen from Rs 12.57 crores in the previous year to Rs 15.52 crores in 1977. The gross profit too has gone up to Rs 2.05 crores from Rs 1.40 crores. A higher equity dividend of Rs 22 has been declared against Rs 15 last year. After provision and adjustments the net profit stands at Rs 63.23lakhs against Rs 43.78 lakhs. Dividend on equity shares will absorb Rs 17.60 lakhs against Rs 12 lakhs.

Capital & Bonus Issues

Consent has been granted to eight companies to raise capital of Rs 28.20 million. The details are as follows:

M/s Hein Lehmann (India) Limited, have been accorded consent, valid for six months, to capitalise Rs 1,800,000 out of its general reserve and issue fully paid equity shares of Rs 10 each as bonus shares in the ratio of 12 bonus shares of 25 equity shares held.

M/s Atic Industries Limited, Atul, have been accorded consent, valid for six months, to capitalise Rs 20,000,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of one bonus share for every two equity shares held.

M/s Pressure Cookers & Appliances Limited, Bombay, have been accorded consent, valid for six months, to capitalise Rs 2,400,000 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

M/s Kishan Prasad & Co Ltd, have been accorded consent, valid for six months, to capitalise Rs 250,000 out of its general reserve and issue fully paid equity shares of Rs 250 each as bonus shares in the ratio of one bonus share for each equity share held.

M/s The Supreme Industries Limited, Bombay, have been accorded consent, valid for six months, to capitalise Rs 1,342,600 out of its general reserve and issue fully paid equity shares of Rs 100 each as bonus shares in the ratio of three bonus shares for every five equity shares held.

M/s International Combustion (India) Limited, a public company having a paid-up capital of Rs 4,183,230 has been accorded consent for issue of further capital of Rs 257,900 in 25,790 equity shares of Rs 10 each as rights shares to the existing Indian shareholders at a premium of Rs 3 per share. The object of the issue is to bring down the foreign equity holding in the share capital of the company. The consent order is valid up to April 26, 1978.

M/s Bakelite Hylam L
Hyderabad, have been a
ed consent, valid for 18 m
to the issue of 7520 cu
tive redeemable pref
shares of Rs 50 each ca
dividend of $9\frac{1}{2}$ per cen
annum (free of company
but subject to deduction
at source at the prescribe
to M/s BXL Plastics Ma
Groups Limited, Lond
lieu of 7520, $9\frac{1}{2}$ per cent
deem able cumulative pref
shares which stand can
under a court order.

M/s Wintex Mills Ltd,
a public limited com
registered in the state of
rat and having a paid
equity capital of Rs 72
have been granted con
valid for a period of eigh
months, for issue of eq
shares worth Rs 1,775,00
rights shares, for cash at
The proceeds of the issues
to be utilised to meet a pa
the cost of the project
Pandesera, Surat.

M/s South East Asia S
ping Company Ltd, Bom
have been refused consent
the issue of bonus shares wo
Rs 5,460,000.

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Licences and Letters of Intent

The following licences and letters of intent were issued under the Industrial (Development and Regulation) Act 1951 during the month of December 1977. The list contains the names and addresses of the licensees, articles of manufacture, types of licences—New Undertakings (NU), New Articles (NA), Substantial Expansion (SE), Carry on Business (COB), Shifting—and Annual Installed Capacity. Details regarding licences and letters of intent revoked, cancelled or surrendered are also given.

Licences Issued

Metallurgical Industries (Ferrous)

M/s Cable Corpn of India Ltd, Laxmi Bldg, 6, S.V. Marg, Bombay-400038, (Bombay-Maharashtra)—Wire Rods (by conversion of aluminium bars, ingots and scrap)—4500 tonnes (for captive use)—(NA)

M/s Partap Rajasthan Special Steels Ltd, 100, Jawaharlal Nehru Marg, Jaipur-302004, (Jaipur-Rajasthan)—Mild Steel, High Tensile/Carbon and Spring Steel Billets—50,000 tonnes—(NU)

M/s Indian Rare Earths Ltd, (A Govt of India Undertaking), Pill Court, 6th Floor, 111, Maharshi, Karve Rd, Bombay-400020, (Alwaye-Kerala)—Mild Steel Drums Type IV—1,400 Nos, Mild Steel Drums Type V—15,000 Nos, Mild Steel Drums Special Type—500 Nos—(COB)

Prime Movers

M/s Ashok Leyland Ltd, Ennore, Madras-600057, (Chingleput-Tamilnadu)—Industrial Engines—From 720 Nos. To 1500 Nos, (after expansion), Marine Diesel Engines—500 Nos out of post expansion capacity of 1500 Nos of Industrial Engines—(SE)

Electrical Equipment

M/s Punjab Digital Industrial Systems Ltd, C-30, Industrial Focal Point, Phase II, SAS Nagar, Mohali-160051, (SAS Nagar-Punjab)—Electronic Digital Balance—500 Nos, Digital P.H. Meter/Recorder and Controller—1000 Nos, Digital Multimeter—1000 Nos, I.C. Functional Tester—500 Nos—(NU)

M/s NGEF Ltd, Old Madras Road, Byappanahalli, Post Bag 3876 Bangalore-560038, (Bangalore-Karnataka)—On-Load-Tap-Changers 33 KV—132 KV—200 Nos, On-Load-Tap-Changers 220 KV, 400 KV—75 Nos—(NA)

M/s National Radio & Electronics Co Ltd, Mahakali Road, Chakala, Andheri (East), Bombay-400093, (Bombay-Maharashtra)—Alphanumeric Display Terminals—90 Nos, Graphic Displays—10 Nos—(NA)

Transportation

M/s Grau Brakes Ltd, C/o M/s Rahoul-Siemens Engg. Pvt Ltd, 29, Community Centre (2nd Floor), East of Kailash, New Delhi-110024, (Gurgaon-Haryana)—Air Brakes—40,000 Nos—(NU)

Industrial Machinery

M/s Mining & Allied Machinery Corpn Ltd, P.O. Durgapur-713210, Distt Burdwan (WB) (Burdwan-West Bengal)—Self Advancing Powered Roof Supports—2,000 sets—10,000 tonnes—(NA)

M/s Kay Bee Industries (India) Pvt Ltd, 51, Najaf Garh Road, New Delhi-110015, (Delhi)—Cotton Baling Press—20 Nos—(NA)

M/s Elecon Engg Co Ltd, P.B. No 6, Vallabh Vidyanagar, Gujarat State, (Kaira-Gujarat)—Worm Gear Units—10,000 Nos (after expn), Helical Gear Units—2,500 Nos (after expn)—(SE)

Machine Tools

M/s Hindustan Machine Tools Ltd, 36, Cunningham Road, Bangalore-560052, (Bangalore-Karnataka)—Sliding Headstock Automatic Lathes—73 Nos machines (after expansion)—(SE)

Miscellaneous Industries

Mr V. Balakrishna, 5, Bulabhai Desai Rd, Madurai-2, (Madras-Tamilnadu)—Stainless Steel Razor Blades—180 million Nos—(NU)

M/s Bombay Foam Pvt Ltd, Bombay Mutual Bldg, 38/2nd Floor, Dr D.N. Road, Fort, Bombay-400001, (Aurangabad-Maharashtra)—Polystyrene Foam Sheets and Boards—2,000 tonnes—(NU)

Industrial Instruments

M/s Precision Jewels Pvt Ltd, 55, Jolly Maker Chamber No 1, Nariman Point, Bombay-400021, (Aurangabad-Maharashtra)—Watch and Meter and Instrument Jewels—60,00,000 Nos—(NU)

Chemicals Other than Fertilisers

M/s Synthetics and Chemicals Ltd, Oriental House, 7-Jamshedji Tata Rd, Churchgate Reclamation, Bombay-400020, (Bareilly-UP)—ABS Resins and Plastics—2,000 tonnes—(NA)

M/s United Phosphorous Pvt Ltd, 11, GIDC Area, Vapi, Gujarat, (Broach-Gujarat)—Phosphorus Pentasulfide—3,000 tonnes, Phosphorus Trichloride—2,000 tonnes, Phosphoric Acid—2,500 tonnes—NU)

M/s Piramal Organic Chemicals Ltd, Morarjee Mills Administrative Bldg, Dr Ambedkar Road, Parel, Bombay-12, (Thana-Maharashtra)—Chlorinated Paraffin Wax—15 tonnes—(COB)

Dyestuffs

M/s Idachem Industries Pvt Ltd, National Insurance Bldg, 204, Dr D.N. Road, Bombay-400001, (Kolaba-Maharashtra)—Indigo Pure Blue—750 tonnes—(NU)

Drugs and Pharmaceuticals

M/s Haffkine Bio-Pharmaceutical Corpn Ltd, Acharya Donde Marg, Parel, Bombay-400012, (Poona-Maharashtra)—Bulk Drug; Diphtheria Tetanus Vaccine—6.4 lakh Doses, Formulations: Tablets; Vitamin B1 (10 mg, 50 mg), Vitamin B2 (2 mg, 5 mg), Vitamin BC (containing bulk drugs viz, Vit B1, Vit C, Riboflavin & Nicotinic Acid), Vitamin BC No 3 (containing Vit B1, Vit B2, Vit C, Riboflavin & Nicotinic Acid), Analgin, Phthalyl Sulphathiazole,—28.80 million Nos, Polio Vaccine—26.70 lakh Doses, Diphtheria Vaccine (absorbed)—11,355 ML, Gas Gangrine Antitoxin—1040 ML—(COB)

M/s Sarabhai Chemicals, Wadi Wadi, Baroda-390007, (Baroda-Gujarat)—Ethambutol HCL—1 tonne—(NA)

M/s Atul Products Ltd, P.O. Atul (W Rly), Distt Bulsar—396020, Gujarat (Bulsar-Gujarat)—Menadione and Derivatives—2,000 Kgs (after expn)—(SE)

M/s Indian Drugs & Pharmaceuticals Ltd, N 12, South Extn-1, New Delhi-110049, (Gurgaon-Haryana)—Tablets—1,500 million Nos, Capsules—50 million Nos, Ampules—50 million Nos, Vials—50 million Nos, Ointment—30 tonnes, Syrup—600 kilo litres. (NU)

Textiles

M/s Rajesh Dying & Bleaching Works Pvt Ltd, Kurla Andheri Road, Bombay-72, (Bombay-Maharashtra)—Artsilk Fabrics—44 Powerlooms, Processing of Artsilk Fabrics—34,00,000 metres—(COB)

M/s New Haryana Wool Industries, 'Manusmriti', 8, Raj Marg, Kota (Rajasthan), (Dharuheda-Haryana)—Wool Tops (combed wool)—1.5 million lbs—(NU)

M/s Shree Gopal Industries Ltd, Shree Gopal Pura, Kota-324002, (Kota-Rajasthan)—Cotton Yarn—5600 spindles——33,280 spindles (after expn)—(SE)

Paper and Paper Products

M/s Hindustan Paper Corpn Ltd, Vishal Bhavan, 95, Nehru Place, New Delhi-110024, (Cachar-Assam)—Writting and Printing Paper—100,000 tonnes—(NU)

Sugar

M/s Gangeshwar Ltd, Deoband, Distt Saharanpur (UP), (Saharanpur-UP)—Sugar—From 3000 tonnes To 3,800 tonnes (after expansion) in terms of daily cane crushing capacity—(SE)

M/s Mahalakshmi Sugar Mills Co Ltd, Post Office Iqbalpur, Distt Saharanpur (UP), (Saharanpur-UP)—Sugar—From 1800 tonnes To 2300 tonnes (after expansion) in terms of daily cane crushing capacity—(SE)

M/s North Bihar Sugar Mills Ltd, P.O. Naraipur, Distt Champaran (Bihar)—Sugar—From 1000 tonnes To 1350 tonnes (after expansion) in terms of daily cane crushing capacity—(SE)

M/s Mewar Sugar Mills Ltd, Bhupalsagar (Rajasthan), (Chittorgarh-Rajasthan)—Sugar—500 tonnes (Additional)—1500 tonnes (after expansion) in terms of daily cane crushing capacity —(SE)

M/s Terna Shetkari Sahakari Sakhar Karkhana Ltd, Dhoki (Ternanagar) Tal & Distt Osmanabad, Maharashtra State, (Osmanabad-Maharashtra)—Sugar—950 tonnes (Additional) —2200 tonnes (after expansion) in terms of daily cane crushing capacity

Fermentation Industries

M/s Pravara Sahakari Sakhar Karkhana Ltd, Pravaranagar. Tal Shrirampur, Distt Ahmednagar, Maharashtra, (Ahmednagar-Maharashtra)—Country Liquor—8,540 bulk kilolitres—(COB)

Rubber Goods

M/s Supreme Rubber Reclaimers Ltd, 2nd Floor, Maroor House, K.S.R. Road, P.B. No. 147, Mangalore-575001, (South Kanara-Karnataka) Reclaimed Rubber—900 tonnes (Addl) —2,400 tonnes (after expansion)—(SE)

Ceramics

M/s Carborundum Universal Ltd, 11-12, North Beach Rd, P.B. No 1677, Madras-600001, (Ernakulam/Palghat-Kerala)—Synthetic Fused Refractory Grains (based on alumina)—3500 tonnes–(NA)

Defence Industries

M/s Bharat Dynamics Ltd, 10-3-310, Masab Tank, Hyderabad-500028, (Hyderabad-AP)—Defence Equipments—To be fixed by the Ministry of Defence (Deptt of Defence Supplies) from time to time—(NA)

Letters of Intent

Metallurgical Industries (Ferrous)

M/s Suroj Alloys & Steels Ltd., Kariganur (P. B. No. 38-Hospet), Bellary Distt.. Karnataka State (Bellary-Karnataka)—Bars, rods, angles, channels and flats etc.—(NA)

M/s International Steel Co. Pvt. Ltd., 132, S.V.P. Road, Dongri, Bombay-9. (Nasik-Mahhrashtra)—Cladded Composite Tool Steel Flat Bars—400 tonnes.—(NA)

M/s. Modella Steels and Alloys Ltd., Resham Bhawan, 7th Floor, Veer Nariman Point, Bombay-400020. (Ratlam—MP)—Rolling of Steels (excluding mild steel) into bars, rods, sections and structurals—16,000 tonnes–(NA)

M/s. Permanent Magnets Ltd., Sylvester Bldg., 20, Shahid Bhagat Singh Road, (Bombay-Maharashtra) Ferrous Castings: Ni Hard/Ni resist castings, Shell moulded castings, High Duty Alloy Iron Castings—Within the overall licensed capacity of 400 tonnes of Cast Alloy Permanent Magnets. Non Ferrous Castings: Aluminium/Nickel castings—Within the overall licensed capacity of 400 tonnes of Cast Alloy Permanent Magnets. —(NA)

M/s. Mohta Ispat Ltd., Atmararam House, 1-Tolstoy Marg, New Delhi-110001 (Ratlam—MP)—Rolling of Steels (excluding mild steel) into bars, rods, sections and structurals—16,000 tonnes—(NA)

M/s. Vardhaman Spinning and General Mills Ltd., Oswal Steels, Plot No. 263, Sector 24, Faridabad. (Gurgaon-Haryana)—Rolling of Steel (excluding mild steel) into Rounds, Bars, Squares, Flats etc. in size range of 12mm to 70mm.—25,000 tonnes—(NA)

M/s Mohta Alloys and Steels Ltd., Atmaram House, 1-Tolstoy Marg, New Delhi, (Ludhiana-Punjab)—Rolling of Steel (excluding mild steel) into rounds, squares, flats, hexagons, angles, channels and Tees—24,000 tonnes—(NA)

Mr Pahlaj Bhajandas Bajaj, 63, Jolly Maker Chambers No. 1, Nariman Point, Bombay-400021 (Maharashtra)—ISO Marine containers—6,000 Nos—(NU)

M/s Jyoti Ltd., Industrial Area, P.O. Chemical Indust Baroda-390003 (Panchmahal-Gujarat)—Grey Iron/Alloy casting—2400 tonnes. Steel/Alloy steel casting—250 ton Non-ferrous casting—650 tonnes.—(NA)

M/s Somani Steels Ltd, Somani Bhawan, 51/27, Sangh Nayaganj, Kanpur (UP) (Unnao-UP)—Rerolling of (other than mild steel) into sections, bars, rods, flats e 32,000 tonnes (including 20,000 tonnes of High Carbon Rods)—(NA)

Mr J.C. Basu, 65, Shivali Coop. Housing Society, Pa Kunj, Poona-421016. (Ahmednagar-Maharashtra)—Closed Steel Forgings—1,500 tonnes—(NU)

Metallurgical Industries (Non-Ferrous)

Mr. Y. K. Gupta, Director, Delton Cable Industries Ltd., Delton House, 24-Darya Ganj New Delhi-110002 (Ba ward Area—Haryana)–Copper Clad Aluminium Wire R (5mm and above dia) Bus bars/section–5000 tonnes— (NA)

Boilers and Steam Generating Plants

M/s. Stan Ships Industrial Complex Ltd., Thirumala, P. Trivandrum, (Alleppey-Kerala), Fishing Trawler 19 to 60 5 nos. Factory Trawler 36 to 89m—2 nos, Mother Ship rang from 40m. to 89m.—1 No., 4 Foating Crafts—10 nos—(N.U

Electrical Equipment

M/s. Andhra Pradesh Industrial Development Corpn. L 'Parisrama Bhavanam', 5-9-58/B, Fateh Maidan Rd., Post No 1049. Hyderabad-500029 (Andhra Pradesh)—Copper C Aluminium Rods above 5mm dia–5,000 tonnes–(N.U.)

Mr Tarapada Chekrabortty/Parthasarathi Deb, 16, In Exchange Place, 2nd Floor, Room No. 2, Calcutta-700 (West Bengal)–Pre-recorded Cassettes–1.2 million un 8-track Pre-recorded Cartridges—50,000 units (NU)

Mr P. Nandi & Shri T. K. Cakravarty, 16, India Exchar Place, 2nd Floor, Room No. 2, Calcutta-700001 (West Benga Magnetic Tapes—240 million running metres—(NU)

M/s The Delhi Cloth and General Mills Co. Ltd, Un DCM Data Products, SBM Premises, Shivaji Marg, New Del 110015. (Delhi)—Data Logging Equipments—a typical cor guration of the following kinds: Microprocessor based CP Front Panel with Control Switches & Indicator Lines; T numeric printer and controller print upto 20 cols. of nume information at approximate 3-5 lines/second; Point Sampli and Conditioning Circuitry for upto 512 points—100 Nos—(N

Mr S.G. Chandru, No. 13, Venkatesan Steet, Thyagar janagar, Madras-600017—(Hyderabad-AP)—Engines (for Ae Modelling Equipment)—5,000 units. Ready to fiy model—5,0 units. Plastic and Metal Accessories—5,000 units. sets Mo aeroplane kits out of balsa wood in 8 types—5,000 sets each type—(NU)

M/s International Computers Indian Manufacture Lt Magnet House, Narottam Morarjee Marg, Ballard Esta Bombay-400038 (Poona-Maharashtra)—100 systems of Mo No. 2904 over a five years period., 100 Nos per year of ca readers with a speed at least of 600 card per minute. 100 No per year of line printers with a speed at least of 600 line p minute. 200 Nos. per year of magnetic tape transport (NA)

M/s Andrew Yule & Co. Ltd., 8, Clive Row, Calcutt (Wcst Bengal)—Electro Magnetic Contactors upto 300 Amps 72,000 Nos Bimetallic Overload Relay upto 232 Amps—54,0 Nos, Moulded Case Circuit Breakers upto 600 Amps—3,0 Nos—(NA)

M/s State Industrial and Investment Corpn. of Maharasht Ltd., 'Nirmal', 1st Floor, Nariman Point, Bombay-4000 (Nasik-Maharashtra)—Glassivated Semiconductor Power D vices such as Power Transistors with emphasis on Darlington Triacs with emphasis on sensive gate, fast recovery Thyri tors, Zeners with emphasis on Temperature Compensated refe ence, Rectifiers with emphasis on fast recovery—6 millio Devices—(NU)

M/s Usha Rectifiers Corpn. (India) Ltd, 12/1, Delhi-Mathura Rd., Faridabad-12103. (Gurgaon-Haryana)—Pulse Transformers—20 lakh Nos, Electro Manetic Delay Lines—2 lakh Nos—Ferrite Devices—50,000 Nos (NA)

Mr Gurpreet Singh, 20-A, Aurangzeb Road, New Delhi (Delhi) Proximity switches—10,000 Nos; Sequential controllers—300 nos, Time programmeable process controllers—200 Nos., Multipoint temporary indicating alarms—500 Nos, Techometcrs—500 Nos; Inverters—500 Nos, Static Relays (contact rating 10 Amps and aboue) 2,000 Nos, Stepless regulators (rating ¼ HP and above)—20,000 Nos; Alarm Annunciators—500 Nos; Multivariable, multi point control systems—500 Nos; Data loggers—50 Nos; Machine Tool Monitors—200 Nos; Multivariable, multi point indicator system—500 Nos; Humidity meters 500 Nos; Flow alarms—1,000 Nos; Sound ech-type level controllers—200 Nos; Electromechanical level controllers—200 Now (NU).

M/s. Westinghouse Saxby Farmer Ltd., 17, Convent Road, Entally, (Calcutta-WB)—Electrical Transmission Line Towers—60,00 tonnes; Control Panels—300 Nos—(NA)

M/s Murphy India Limited, Eastern Express Highway, P.O. Box 201, Nagpada, Thana-400602, (Maharashtra)—Lighted push button switches—2,00,000 Nos, (within the present licensed capacity of 5,00,000 Nos)—(NA)

M/s NGEF Ltd, P.B. No. 3876, Byappanahalli, Off Old Madras Road, Bangalore-560038, (Bangalore-Karnataka)—Cam Shaft controller type GNW rated for 750 V dc and suitably rated for controlling 4 traction motor of 165 KW capacity each and similar types—30 Nos—Master Controller type ELF 38.4-2 level type and rated for 750 V dc and similar types—10 Nos, DC Contactors upto 600A and upto 1200V single to 4 pole (Electro pneumatic and electro magnetic operation)—250 Nos,—(NA)

M/s Punjab State Industrial Development Corpn Ltd, S.C.O. 54-56, Sector 17-A, Chandigarh (Ropar-Punjab)—Relays—10,00,000 Nos, Switches—10,00,000 Nos—(NU)

M/s Murphy India Ltd, Eastern Express Highway, P.O. Box 201, Naupada, Thana-400602 (Thana-Maharashtra)—Recording/Erasing Magnetic Heads Types Mono (3 in 1) and Stereo—3.5 lakh Nos (NA)

Mr Nem Chand Jain, 28, New Rohtak Road, New Delhi-110005 (Bulandshahar—UP)—Ferrous base electrical resistance wire on maximum operating temperature of 360 C for domestic electrical appliances only—240 tonnes—(NU)

Telecommunications

M/s Dyanavision Ltd, 1, Padmanabha Nagar, Adyar, Madras-600020 (Madras-Tamil Nadu)—TV Sets—10,000 Nos, (Additianal)—20,000 Nos, (After expansion)—(SE)

M/s U.P. Electronics Corpn Ltd, 4, Prag Narain Road, Lucknow-226001 (Allahabad-UP)—TV Sets—5,000 Nos(, Additional)—10,000 Nos, (After expansion)—(SE)

M/s Kerala State Electronics Development Corpn Ltd, Keltron House; Vellayambalam, Trivandrum-695001 (Trivandrum-Kerala)—TV Sets—5,000 Nos, (Additional)—10,000 Nos, (After expansion)—(SE)

Transportation

M/s Jessop and Co Ltd, 63, Netaji Subhas Road, Calcutta-700001 (24-Parganas-WB)—Mobile Cranes (capacity range 20 to 100 tonnes)—50 Nos—(NA)

M/s Tamil Nadu Agro Industries Corpn, Ltd, 'Agro House', Industrial Estate, Guindy, Madras-32, (Madras-Tamil Nadu)—'Trantor' Multipurpose vehicles—4000 Nos—(NA)

Industrial Machinery

M/s Triveni Engg Works Ltd, Kailash, 26, Kasturba Gandhi Marg, New Delhi-110001 (Mathura-UP)—Metallurgical Machinery—1800 tonnes—(NA)

M/s Bombay Ring Travellers Co Ltd, Neville House, J.N. Herdia Marg, Ballard Estate, Bombay-400038 (Thana-Maharashtra 1)—Nylon Travellers—7 million pieces (after expansion—Textile Rings—3.5 lakh pieces (after expansion)—(SE)

M/s Suessen Textile Bearings Ltd, National Highway No 8, Post Office ONGC, Baroda-390009 (Baroda-Gujarat)—Top arms complete with top rollers and apron guiding devices (Cradles) for worsted drafting system—15,000 sets within the licensed capacity covered by two industrial licences earlier granted—(NA)

M/s Purolator India Ltd, Hauz Khas, P.O. Yusuf Sarai, New Delhi-110016 (Gurgaon-Haryana)—Electrostatic Precipitator—15 Nos, Bag filters, Bag Houses—100 Nos, Dust collectors-consisting of mechanical type total accessibility collectors, venture extractor high energy system & dustraxtor—400 Nos, Water Pollution Control System and equipment for reclamation treatment and conservation of industrial public health engg effluents complete with all accessories and chemicals etc water treatment and purification plants—50 installations, Solid waste treatment equipment and system complete with all accessories and chemicals etc—10 installations, Spares and accessories for maintenance of above systems/equipments—Value at Rs 0.8 crores—(NU)

M/s Machinery Manufacturers Corpn Ltd, Gateway Building, Apollo Bunder, Bombay-400039 (Mysore-Karnataka)—Ring Spinning Frame/Ring Twisting Frame/Worsted Ring Frame—300 Nos—(NA)

M/s Indo-Burma Petroleum Co Ltd, Engineering Division, Sewri, Bombay-400015 (Bombay-Maharashtra)—Cryocontainers—4000 Nos—(NA)

M/s Triveni Engineering Works Ltd, Kailash, 2nd Floor, 26, Kasturba Gandhi Marg, New Delhi-110001 (Allahabad-UP)—Industrial Batch Centrifuges, Industrial Decanters, Textile Centrifuges—100 Nos—(NA)

M/s Hindustan Brown Boveri Ltd, 264/265, Dr A.B. Road, Bombay-400025 (Baroda-Gujarat)—Turbochargers for diesel engines above 300 HP—400 Nos, Turbochargers for diesel engines upto 300 HP, 6000 Nos—(NA)

M/s Indian Tool Manufacturers Ltd, 101, Sion Road, Bombay-400022 (Maharashtra)—All Steel Marine Freight Containers—5,000 Nos—(NU)

Machine Tools

Mr C. L. Raheja, Construction House, Opp. Telephone Exchange, 24th Road, Khar, Bombay-400052 (Bommasundara-Karnataka)—ERW Electrodes in Copper base Alloys—6,00,000 Nos, ERW Seam Welding Wheels and Castings/Forgings and butt welding tools—75 tonnes, Miscellaneous Copper base alloy bar stock, castings forgings machined parts—100 tonnes, Accessories such as Electrode Holders & Holder Assemblies—50,000 units—(NU)

M/s Fashion Prints Ltd, 6, S.V. Marg, Ballard Estate, Bombay-400038 (Thana-Maharashtra)—Hydraulic Surface Grinders of Horizontal Spindle Reciprocating Table type of following sizes: 700mm × 500 mm, 600mm × 500mm, 700mm × 350mm, 600mm × 400mm, 500mm × 350mm, 760mm × 200mm—100 Nos—(NA)

Miscellaneous Industries

M/s Punjab State Industrial Development Corporation Ltd, SCO 54-56, Sector 17A, Chandigarh (Rupnagar-Punjab)—Straight Shank Twist Drills (1.5mm to 13.00mm)—18,00,000 Pcs, Inserted type of Taper Shank Twist Drills (3.00mm to 9.9mm)—12,000 Pcs—(NU)

Mr Satya Prakash, Flat No 1, Yashwant Place, Chanakya Puri, New Delhi-110021 (Backward Area-Tamil Nadu)—Co-extruded Polyethylene Films for packaging liquid edibles—600 tonnes—(NU)

Mr B.L. Dhoot, 2, Brabourne Road, (Biplabi Trailokya Maharaj Sarani), 2nd Floor, Calcutta-700001 (Backward Distt,-Maharashtra)—Polythelene Corrugated Board/Sheets HDPE/LDPH—800 tonnes, Multiple Cell Hollow Plastic Board of Polypropylene—800 tonnes—(NU)

Industrial Instruments

M/s Kerala State Electronics Development Corpn Ltd, Keltron House, Vellayambalam, Trivandrum-695001 (Backward Distt-Kerala)—Electronics transmitters, Analog electronics control modules, Panel mounted instruments, Recorders, Indicators, Control Stations, Electro-Pneumatic Convertors, Pneumatic Actuators with Positioners, Control Cabinets—3,000 Nos—(NU)

M/s Hyderabnd Allwyn Metal Works Ltd, Sanatnagar, Hyderabad-18 (Hyderabad-AP) Industrial and Watch Jewels—36 million Nos—(NA)

Chemicals Other than Fertilisers

M/s Goyal Gases (P) Ltd, D 271, Vivek Vihar, Delhi-110032 (Ghaziabad-UP)—Oxygen Gas—0.4 MCM (Additional)—1.0 MCM (after expansion), Nitrogen Gas (by-products)—1.00 MCM—(NA/SE)

M/s Ahmedabad Mfg & Calico Printing Co Ltd, Outside Jamalpur Gate, Ahmedabad (Baroda-Gujarat)—Polyester Staple Fibre—From 6100 tonnes to 12,200 tonnes (after expansion)—(SE)

M/s Acids & Chemicals Ltd, S-100, Panchshila Park, New Delhi-110017 (Mahendragarh-Haryana)—Sulphuric Acid—30,000 tonnes—(NU)

M/s The Andhra Sugars Ltd, (Chemicals & Fertilizers Divn), Regd Office Venkaiaryapuram, Post Box No 2, Tanuku-534211 (AP) (West Godavari-AP)—Chlorosulphonic Acid—5000 tonnes—10,000 (After expansion)—(SE)

M/s Madhya Pradesh State Industries Corpn. Ltd, Maheshwari Bhavan, Civil Lines, Bhopal (MP) (Backward Area-MP)—Malathion Technical—450 tonnes—(NU)

Mr Prem Manohar, 118/307, Kaushal Puri, Kanpur (UP) (Thana-Maharashtra)—Chloro Sulphonic Acid—6,600 tonnes, Oleum 20 and 65%—9,900 tonnes, Iron free Sulphuric Acid Analytical Grade—1,650 tonnes, Sulphuric Acid—16,500 tonnes—(NU)

M/s Industrial Promotion & Investment Corporation of Orissa Ltd, 3A, Satyanagar, Bhubaneswar-751007, (Mayurbhanj-Orissa)—Sulphuric Acid—16,500 tonnes, Oleum—3,000 tonnes—(NU)

M/s The Coastal Chemicals Pvt Ltd, N.P. Road, Nidadavole-534301, (Visakhapatnam-Andhra Pradesh)—Sodium Hydrosulphite—1,500 tonnes—(NA)

M/s Goyal Gases (P) Ltd, D-271, Vevak Vihar, Delhi-110032, (Ghaziabad-UP)—DA Gas—From 0.27 mill cubic metres to 0.40 mill cubic metres, (after expansion)—(SE)

M/s Bharat Pulverising Mills Pvt Ltd, Division Basic Minerals & Chemical Co, Hexamar House, Sayani Road, Bombay-400025, (Thana-Maharashtra)—Carboxin Technical—50 tonnes—(NA)

Mr Prem Kumar Khurana, B-69/2, Wazirpur Industrial Area, Delhi-110052, (Delhi)—Hydrogen Gas—0.30 mill cubic metres—(NU)

M/s ALA Chemicals Ltd, Mahalaxmi Chambers, Bhulabhai Desai Road, Bombay-400026, (Thana-Maharashtra)—Polyester Polymeric type plasticizers only—100 tonnes—(NA)

M/s Bharat Pulverising Mills P Ltd, Division Basic Minerals & Chemical Co, Hexamar House, Sayani Road, Bombay-400025, (Thana-Maharashtra)—Quinalphos Technical—100 tonnes—(NA)

M/s Kanoria Chemicals & Industries Limited, 16 A, Brabourne Road, Calcutta-700001, (Gujarat)—Pentaerithrytol—1,200 tonnes—(NU)

Mr Pawan Kumar Jain, 3, Rajindra Place, District Centre, East Patel Nagar, New Delhi-110008, (Bulandhshahr-UP)—Malathion Technical—450 tonnes—(NU)

M/s The Travancore Cochin Chemicals Ltd, Eloor Udyogamandal P.O., Kerala State (Kerala)—Thionyl Chloride—900 tonnes—(NA)

M/s Bombay Chemicals, Nain Krupa, 4th Floor, 118
Kazi Sayed Street, Bombay-400003, (Gujarat)—Chlorosulph
Acid—2,000 tonnes—(NU)

M/s Colgate Palmolive (India) (P) Ltd, 3, Dinshaw Va
Rd, Bombay-400020, (Maharashtra)—Sorbitol—2,000 tonn
(NU)

M/s J.K. Synthetics Ltd, Kamla Tower, Kanpur (
(Kota-Rajasthan)—Polyester Staple Fibre—From 900 tonne
6000 tonnes (after expansion)—(SE)

M/s Chemicals & Fibres of India Ltd, Crescent Ho
19, Walchand Hirachand Marg, Bombay-400038, (Tha
Maharashtra)—Polyester Staple Fibre—From 6,100 tonnes
10,000 tonnes (after expansion)—(SE)

M/s Rohtas Industries Ltd, Dalmia Nagar, Dist Roh
(Bihar), (Rohtas-Bihar)—Oxygen Gas—0.240 MCM—(NA)

M/s Maize Products, (Prop: Sayaji Mills Ltd), P
Kathmada-Maize Products, Ahmedabad-382430 (Gujar
(Ahmedabad-Gujarat)—Mannitol—150 tonnes—(NA)

M/s Indian Organic Chemicals Ltd, (Fibre Division) N
Excelsior Bldg, 6th Floor, Wallace Street, Bombay-4000
(Chingleput-TN)—Polyester Staple Fibre—From 6,100 tonnes
12,200 tonnes (after expansion)—(SE)

Dyestuffs

M/s Sudarshan Chemical Industries Ltd, 162, Welles
Road, Pune-411001, (Kolaba-Maharashtra)—Organic Pigme
—300 tonnes (additional)—800 tonnes (after expansion)—(SE

Drugs and Pharmaceuticals

M/s Chemical Industrial & Pharmaceutical Laboratories L
289, Bellasis Road, Bombay Central, Bombay, (Bomb
Maharashtra)—Bulk Drugs: Glyceryl Guaiacolate NF—5 t
Methocarbamol NF—4 ton, Formulations: Metolon tabl
(Metochlopramide Hcl-10-mg)—20 million tablets, Metol
Syrup (Metochiopramide Hcl-5-mg in 5 ml)—25 KL, Norf
tablets (Methocarbamol NF G 5 g)—4 million tablets, Norf
Injection (Methocarbamol NF—1 g in 10 ml amp)—1 m
Injection—(NA)

M/s Uniloids Ltd, 3-6-524, Himayat Ngr, Hyderabad-5000
(Hyderabad-AP)—Tablets: Normozyme—40,00,000 tabs, N
Flagivon 200 mg (Metronidazole) Neo Flagivon 400
(Metronidazole) seven tonnes of metronidazole, Cortoph
—48,00,000 tabs, Rumipyrine—48,00,000 tabs, Examide
48,00,000 tabs, Versalin—48,00,000 tabs, Depranil—48,00,0
tabs, Trimethoprim Sulphamethoxazole—50,00,000 ta
Glybenelamide—60,00,000 tabs, Triocmbin 12 Dragees
60,00,000 tabs, Calcium Uniloids—1,00,00,000 tabs, Cou
Tablets—50,00,000 tabs, Tetracycline—50,00,000 tabs. Syru
Normozyme (100 ml)—2,00,000 bottles, Cough linctus (100
—2,00,000 bottles, Vitaloid Syrup (200 ml)—3,30,000 bottle
Neo Flagivon Syrup (30 ml & 60 ml). Cpasules: Becoloi
—72,00,000 capsules, Microsules—72,00,000 capsules, Vitacy
line—12,00,000 capsules. Ointment: Benzoscab 25 gm—60,00,0
tubes, Injection of Heparin—50,000 vials—(NA)

M/s Standard Pharmaceuticais Ltd, 24-Park Street, Ca
cutta-700016, (Hooghly-W.B.)—Salbutamol Tablet (each tabl
to contain Salbutamol Sulphate)—80,00,000 tablets, Salbutam
Syrup (each 5 ml to contain Salbutamol Sulphate equivalent
Salbutamol BP 2 mg)—1,50,000 phials of 112 ml each—NA)

M/s Standard Pharmaceuticals Ltd, 24-Park Street, Ca
cutta-700016, (Hooghly-W.B.)—Gentamycin (Injectable) (eac
1 ml to contain Gentamycin Sulphate—40,000 i.e. (equivale
to 40 mg of Gentamycin base)—2,00,000 vials of 2 mls—(NA)

M/s Standard Pharmaceuticals Ltd, 24-Park Street, Ca
cutta-700016, (Hooghly-W.B.)—Metronidazole Tablets (eac
tablet to contain Metronidazole—200 mg)—1,50,00,000 table
—(NA)

M/s Mac Laboratories Private Ltd, 60, Sir P.M. Roa
Fort, Bombay-400001, (Bombay-Maharashtra)—Basic Drug

Clipizide—100 kgs, Formulations: Clipizide tablets 5 mg, —Corresponding to 70% production of basic drug—(NA)

M/s Mac Laboratories Private Ltd, 60, Sir P.M. Road, Fort, Bombay-400001, (Bombay-Maharashtra)—Bulk Drug: Clonidine Hcl—5 Kgs, Formulations: Clonidine Hcl, Clonidine Hcl and Chlorothalidene—Corresponding to 70% production of bulk drug—(NA)

M/s Sarabhai M. Chemicals, Gorwa Road, Baroda-390007, (Baroda—Gujarat)—Calcium Gluconate (oral and injectable grade) and Ferrous Gluconate (Oral grade)—250 tonnes—(NA)

M/s Bharatia Engg Corpn Pvt Ltd, Victoria Bldg, Parsee Bazar Street, Bombay-400001, (Kolaba-Maharashtra)—Dichloro-Quinoline—50 tonnes—(NA)

M/s Smith, Stanistreet & Co Ltd, 18, Convent Rd, Calcutta-700014, (Calcutta-West Bengal)—Tablets: Ethyambutol IP/BP/USP—2.5 million Nos, Propranolol IP/BP/USP—5 million Nos, Metronidazole IP/BP/USP—8 million Nos, Antiasthmatic—8 million Nos, Ampicillin granules for syrup bottles containing 2 gms ampicillin—0.250 million Nos, Antibacterial—5 million Nos, Capsules: Hematinic—5 million Nos, Rifampicin, 250 mg—4 million Nos, Injectables: Sulphadimidine Sodium 33⅓%, 500 ml—0.036 million Nos, Sulphadimidine Sodium 33⅓%, 100 ml—0.036 million Nos, Misc Preparations: Sulphadimidine Sodium, 16%, 500 ml—0.012 million Nos, Cetrimide Compound Lotion 1. Lt bottle—0.045 million Nos, Contraceptive Cream/Jelly-100 gms tube—1 million Nos—(NA)

Textiles

M/s Harshad Textile Mills Pvt Ltd, Ranjit Sagar Road, P.O. Box No 50, Jamnagar, (Jamnagar-Gujarat)—Art Silk Fabrics—11 powerlooms—137 powerlooms (after expn) Cotton fabrics—12 powerlooms—(SE)

M/s Madhya Bharat Woollen Mills Pvt Ltd, C-4/102, Safdarjung Development Scheme, New Delhi, (Morena-MP)—Shoddy Woollen Yarn—By installation of 600 spindles—(NU)

M/s UP State Textile Corpn, S-7, Sarvodaya Ngr, Kanpur (UP), (Backward Area-UP)—Viscose Staple fibre—22,500 tonnes, Carbon-disulphide—4,500 tonnes, Sulphuric Acid—17,500 tonnes, Anhydrous Sodium Sulphate (by-product)—13,500 tonnes—(NU)

Paper and Paper Products

Mr Ashok J. Patel, 10-Natha Lal Colony, Stadium Road, Ahmedabad, (Balaghat-MP)—Cheap Type Printing Paper (Paper & Pulp)—30,000 MT, Packing and Wrapping Paper —15,000 MT—(NU)

M/s Basant Paper Mills Ltd, 2, Church Lane, Calcutta-1, (Varanasi-UP)—Tissue Paper—3500 tonnes—(NA)

Mr Sushil Ansal, Managing Director, M/s Ansal Properties & Industries Pvt Ltd, 115-Ansal Bhavan, 16-K, Gandhi Marg, New Delhi-1, (Bulandshahr-UP)—MF Variety—Unbleached Paper—2,360 tonnes (Addl)—5,000 tonnes (After expn), MG Variety Papers—5,000 tonnes (Addl)—5,000 tonnes (After expn)—(SE)

Mr D.V. Subha Sastry, 58/34, Chitambarrao Street, Kurnool (AP), (Prakasam-AP)—Unbleached Paper and Paper Board —5,000 tonnes—(NU)

Sugar

M/s Hindustan Sugar Mills Ltd, 51, Mahatma Gandhi Rd, Bombay-400023, (Kheri-UP)—Sugar—From 3658 tonnes to 4800 tonnes (after expansion) in terms of sugarcane crushing capacity per day—(SE)

M/s Triveni Engg Works Ltd, 1107, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi-110001, (Muzaffarnagar-UP)—Sugar—From 2300 tonnes to 3600 tonnes (after expansion) in terms of sugarcane crushing capacity per day—(SE)

M/s Upper Ganges Sugar Mills Ltd, Seohara, Dist Bijnor (UP), (Bijnor-UP)—Crystal Sugar—From 3600 tonnes to 4500 tonnes (after expansion) in terms of sugarcane crushing capacity per day—(SE)

M/s Modi Industries Ltd, Modinagar (UP), (Ghaziabad-UP)—Crystal Sugar—From 1050 tonnes to 1500 tonnes (after expansion) in terms of sugarcane crushing capacity per day—(SE)

Food Processing Industries

M/s Madhya Pradesh Dairy Development Corpn Ltd, Guru Teg Bahadur Shopping Complex, Bhopal-462003, (Bhopal-MP) —Casein—30 tonnes, Butter (by-product)—180 tonnes, Ghee (by-product)—500 tonnes, Ice-Cream (by-product)—350 tonnes —(NU)

M/s Madhya Pradesh Dairy Development Corpn Ltd, Guru Teg Bahadur Shopping Complex, Bhopal-462003, (Indore-MP)—Skimmed Milk Powder—3,000 tonnes, Casein—60 tonnes, Butter (by-product)—2,000 tonnes, Ghee (by-product)—2,000 tonnes —(NU)

M/s Madhya Pradesh Dairy Development Corpn Ltd, Guru Teg Bahadur Shopping Complex, Bhopal-462003, (Ujjain-MP) —Casein—20 tonnes, Butter (by-product)—180 tonnes, Ghee (by-product)—300 tonnes—(NU)

M/s Kumaon Mandal Vikas Nigam Ltd, Nainital (UP), (UP)—Fruit and Vegetable products (like jam, jelly, juices, cider etc)—32,000 tonnes—(NU)

Vegetable Oils and Vanaspati

M/s Southern Oil and Extractions Ltd, 120A, Raj Mahal Vilas Extn, Bangalore-560006, (Raichur-Karnataka)—Cotton seed oil by crushing—15,000 tonnes in terms of cottonseeds—(NU)

M/s Shree Durga Cotton Ginning Pressing and Oil Mills, Gidderbha (Punjab), (Faridkot-Punjab)—Cotton Seed Oil —17,400 tonnes (Addl)—23,400 tonnes (After expn)—(SE)

Rubber Goods

M/s Tannery and Footwear Corpn of India Ltd, 13/400, Civil Lines, Hazari Bungalow, Post Box No 329, Kanpur-208001, (Kanpur-UP)—Shoes (utilising Direct Injection Polyurethene Soling Process)—15,00,000—30,00,000 (after expn)—(SE)

M/s Metal Box Company of India Ltd, Barlow House, 59C, Chowringhee Rd, Calcutta-700020, (Calcutta-W.B.)—Lining Compound—125 tonnes—(NA)

M/s Dinesh Rubber Industries, (A Division of Rustom Mills Industries Ltd) Brij House, 1st Floor, Opp High Court, Stadium Rd, Ahmedabad-380014, (Ahmedabad-Gujarat)—Agricultural and Industrial Suction discharge and delivery houses from 10 mm to 300 mm ID—3,00,000 metres or 7,12,000 kgs by wt—(NA)

M/s Industrial Promotion & Investment Corpn of Orissa Ltd, 3A, Satyanagar, Bhubaneswar-7, (Puri-Orissa)—Rubber Conveyor Belting—600 tonnes, Rubber Transmission Belting —100 tonnes, Fan and V-Belts—4,00,000 Nos—(NU)

Leather and Leather Goods

M/s Leather Industries Development Corporation of Andhra Pradesh Ltd, 3-6-150, Himayatnagar, Hyderabad-500029, (Warangal-Andhra Pradesh)—Finished leather from semifinished goat/sheep skins—6 lakh nos—(NU)

Glue & Gelatin

M/s Sunil Synchem Ltd, 909, Ansal Bhavan, 16, Kasturba Gandhi Marg, New Delhi-110001, (Alwar-Rajasthan)—Ossein

—1,000 tonnes, Gelatin (Pharmaceutical grade)—550 tonnes—(NA)

Ceramics

M/s Cable Corporation of India Ltd, Laxmi Building, 6, Shoorji Vallabhdas Marg, Bombay-400038, (Backward district-Orissa)—Silicon carbide—10,000 tonnes—(NU)

Cement and Gypsum Products

M/s Raymond Woollen Mills Ltd, J.K. Building, Narottam Morarjee Marg, Ballard Estate, Bombay-400038, (Damoh-Madhya Pradesh)—Portland Cement—4 lakh tonnes—(NU)

M/s Mysore Cements Ltd, 'Industry House', 45, Race Course Road, Bangalore-560001, (Tumkur-Karnataka)—Portland Cement—From 4 lakh tonnes to 5.1 lakh tonnes (after expansion)—(SE)

M/s Mysore Cements Ltd, 'Industry House', 45, Race Course Road, Bangalore-560001, (Tumkur-Karnataka)—Asbestos Cement Corrugated semi-corrugated and flat sheets—18,000 tonnes—(NU)

M/s New India Mining Corpn (P) Ltd, 'Nirmal' 16th Floor, Nariman Point, Bombay-400021, (Chandrapur-Maharashtra)—Portland Cement—4,00,000 tonnes—(NU)

Timber Products

Mr Yousuf Abdulkader Kachwalla, C/o Abdoolally Noorbhoy, Noorbhoy House, 122/124, Abdul Rehman Street, Bombay-400003, (Seoni Chhindwara-MP)—Decorative Veneers—1 million sq meters, Plywood including block-boards and flush doors except teachest plywood—1.8 million sq meters—(NU)

Changes in the Names of Owners or Undertakings

(Information pertains to particular licences only)

M/s Cadbury-Fry (India) Pvt Ltd to M/s Cadbury India Ltd

M/s Universal Plast Ltd to M/s Leatherite Industries Ltd

M/s Madhya Pradesh Industries Ltd to M/s Straw Products Ltd

M/s R.M.T. Drill (P) Ltd, Coimbatore to M/s Revathi-CP Equipment Ltd

M/s Asian Electronics Ltd to M/s Asian Electronics Exports Ltd

M/s Arvind Distillery and Chemicals Ltd to M/s Aruna Leathers and Exports Ltd

The Hayward Waldie Refinery Ltd to M/s Gillanders Arbuthnot & Co Ltd

M/s Culter Hammer India Ltd to M/s Bhartia Cutler Hammer Ltd

Mr Jyoti Ghosh, Managing Director, Management Advisory and Development Services Pvt Ltd, New Delhi to M/s Hindustan Thermo Prints Ltd

M/s Zenith Tin Works Ltd, Bombay to M/s Zenith Tin Works Pvt Ltd, Bombay

Licences Revoked, Cancelled or Lapsed

(Information pertains to particular licences only) .

M/s Andhra Pradesh Industrial Development Corpn Ltd—Carbon Tracks & Potentio meters,—(Lapsed)

M/s Esra Electro Carbon Ltd—Midget Electrodes—(Revoked)

Mr G.P. Kanudia, Kanpur—M.G. Packaging, Wrapping Papers, Poster and Boards—(Revoked)

M/s Mathur Papers & Foils Pvt Ltd—Laminated Paper & Board—(Revoked)

Mr M.C. Batra, New Delhi—Corrugating Medium—(Revoked)

Mr R.K. Agarwal, New Delhi—Pulp, Packing & Wrap
Paper—(Revoked)

M/s Avalon Engineers Pvt Ltd—Press Tools, Jigs & Fixt
etc—(Cancelled)

M/s Jalgaon Steel Pvt Ltd—M.S. Ingots—(Revoked)

M/s Rajasthan Alloys and Steel Pvt Ltd—M.S. Ingo
(Revoked)

M/s Veesons Fasteners Ltd, Bangalore—High Tensile Spe
lised Type Precision Machine Screws—(Cancelled)

M/s Nalanda Steel Pvt Ltd—M.S. Ingots—Revoked)

Letters of Intent Lapsed or Cancelled

(Information pertains to particular Letters of Intent only)

The General Manager, Sriram Chemical Industries, N
Delhi (Rajasthan)—Ammonia & Urea—(Lapsed)

Mr M.P. Ranjit, Madras (Tamil Nadu)—Gaskets and
Seals—(Cancelled)

M/s Kokan Gases Pvt Ltd, Bombay (Maharashtra)—Inc
trial Gases—(Lapsed)

M/s Bengal Assam Steamship Co Ltd, Calcutta (West Ben
—Speciality Chemical Adhesives and Sealants—(Lapsed)

Mr D. Dayakar Reddy, Podulkur, Nellore Dist (A
Andhra Pradesh—Cinema Arc Carbons—(Lapsed)

M/s Cauvery Tissues, A. Divn of Bhanu Paper Mills L
Tiruchirapalli (Tamil Nadu)—Pulp, Paper & Paper Boar
(Lapsed)

M/s Mysore Porcelains Ltd, Bangalore (Karnataka)—Br
lium Oxide—(Lapsed)

Mr Devki Nandan Goyal, Bangalore, (Karnataka)—Calci
Carbide—(Lapsed)

M/s Zell Ate Ltd, Bombay (Maharashtra)—Tops for Ca
ings engine—(Cancelled)

M/s Holman Climax Manufacturing Ltd, 24-Parganas (W
(West Bengal)—Air compressors—(Lapsed)

Mr N. Das Gupta, (Stainco Industries, New Delhi (W
Bengal)—Milk products etc—(Lapsed)

Mr S.N. Dhruva, C/o M/s Dilip Kumar & Co, Bomb
(Gujarat)—Thiocarbamates pesticide—(Lapsed)

Mr Surajmal Mehta, Calcutta (MP)—Calcium Carbide
(Lapsed)

M/s Britelite Carbons Ltd, Bombay (Gujarat)—Cinema A
Carbon—(Lapsed)

Mr B.K. Bhagat, Calcutta (Andhra Pradesh)—Cottonse
Oil—(Lapsed)

Mr N.R. Reddy Indiana (USA) (Andhra Pradesh)—Auc
Magnetic Tapes—(Lapsed)

M/s India Paper Pulp Co Ltd, Calcutta (West Bengal)
Newsprint and magazine grade paper and paper boards
(Lapsed)

Mr Mahendra Lalloo Bhai Parmar, Bombay (Gujarat)
Complete Bicycles—(Lapsed)

M/s Bhopal Glue & Chemicals (Pvt) Ltd, Bhopal (MP)
Vegetable Tanned Sole Leather and Glue—(Lapsed)

M/s The Meghalaya Indl Dev Corpn Ltd, Shillong (Megh
laya)—OTS Cans—(Lapsed)

M/s Saurashtra Salt Works, Bombay (Gujarat)—Liqu
Bromine—(Lapsed)

M/s Ramganga Pulp and Paper Mills, New Delhi (UP)
Newsprint—(Lapsed)

M/s Straw Products Ltd, New Delhi (Orissa)—Writing
Printing Paper—(Lapsed)

M/s Harsha Industries Ltd, New Delhi (UP)—Industri
Roller Chains—(Cancelled)

M/s Cutler Hammer (India) Ltd, Faridabad (Haryana)
Thermostat—(Lapsed)

Mr Jayant Dalal, Bombay-400020 (UP)—Geronil and oth
Terpens Alcohols—(Cancelled)

THE INDUSTRIAL CREDIT AND INVESTMENT CORPORATION OF INDIA LIMITED

SPEECH OF THE CHAIRMAN

SHRI H. T. PAREKH

The year 1977 was a turning point for the country's pattern of growth since planning commenced in 1951. In the new development strategy, which is on the anvil, not only is the growth objective to be pursued with renewed vigour but it is to be more effectively intertwined with employment. In consonance with a time bound programme for eradication of unemployment adopted by Government, employment intensive activities such as agriculture and rural development are to receive a special emphasis in the country's planning.

Generation of a large number of job opportunities in the process of growth, is not a new objective of policy. But in the past, as the rate of growth in national income only marginally exceeded population growth, the problem of unemployment continued to worsen. Therefore, for effectively tackling the problem of unemployment, the immediate task before Government is to take measures for a sizeable step up in the rate of growth. While formulating policies for an overall expansion, along with agriculture and small sector, organised industry will have to be assigned its due role. Only an integrated and balanced development of these interdependent sectors can form the basis of a long-term growth strategy for a country like India.

Although the transition from a week supply position to a build-up of buffer stocks of foodgrains and foreign exchange has led to monetary expansion, there is a reasonable stability in the overall level of prices. With a favourable turn in the balance of economic forces, Government's capability to deal with supply problems, should they arise in some sectors, is better than ever before.

Favourable Conditions for Growth

While good monsoons have contributed significantly to large agricultural output, there is sufficient evidence to suggest that productivity is continuously increasing. The productivity gains are being realised on account of infusion of improved inputs such as fertilizers, pesticides, high yielding seeds, irrigation, credit and extension services.

Now that technological change is permeating through this sector and a productivity base is established, its absorptive capacity has considerably enhanced. This augurs well for the new growth strategy which envisages a major injection of funds—40 per cent during the Sixth Five Year Plan—in the agriculture and rural sectors. Good prospects for growth in agricultural incomes and employment are of special importanee for the industrial sector. They open up new possibilities for its growth, both in terms of supply of wage goods and raw materials and as end-user of manufactured goods.

Likewise, a steady increase in exports, particularly of non-traditional items and product-wise and region-wise diversification in exports, has opened up a new sector to be developed further for sustaining growth in production and investment. On the resources side, improved operational efficiency of many of the basic industries, including industries in the public sector, new finds of energy resources and a sustained inflow of remittances from abroad from skilled and professionals of Indian origin, have introduced a new dimension.

Growth of Organised Industry

However, despite availability of indigenous and imported raw materials and spares, productive capacity in several industries and many manufacturing units remains underutilised. For the industrial sector as a whole, new investment activity has yet not fully responded to the changed situation.

During the early phase of planning, public sector investment in socio-economic overheads and the process of import substitution all along the industrial sector, in capital goods, intermediate and consumer goods industries, provided impetus to investment. The situation has changed over the years. Despite increased resource mobilisation by Government through taxation, its ability to step up investment was constrained because of rising non-development expenditure. With a virtual completion of the phase of import substitution in a wide spectrum of industries, fresh investment opportunities from this source were also on a decline.

In areas where there was scope for new investment to meet the rising demand, such as in the case of cement, fertilizers, paper, etc, economic viability of new as well as existing investment was impaired, to a large extent, because of price and distribution regulations. In addition, industrial projects had to bear costs attendant to objective of other policies such as industrial licensing, backward area development, fiscal and other policies designed to attain multiplicity of objectives. Not that in a developing economy social objectives such as diffusion of ownership, dispersal of industries and so on can be overlooked while formulating economic policy. But it has to be recognised that the pursuit of these policies entails economic costs.

Though statutory price controls have been relaxed or lifted in some cases, the market situation has become competitive and there is only a subdued growth in demand. In other industries, such as sugar, cotton textiles and paper, where regulatory measures continue, in the existing market situation it has become increasingly difficult to absorb losses arising from prices stipulated for controlled output.

Moreover, there has been an unprecedented escalation in capital cost during the last 3 or 4 years. The resultant increase in financial overheads has seriously impaired viability of new units. While fiscal incentives, including excise reliefs, have helped many industrial units, the structural imbalance between cost-price relationship, aggravated by weak market condition, remains unresolved.

Pragmatic Approach

The new industrial policy statement assures that price fixation in future will provide for an adequate return on capital. There is an awareness that take over by Government is not a satisfactory solution for tackling the problem of industrial sickness. Government has now incorporated provision in the 1977 Budget for encouraging merger of sick units with healthy ones in the private sector.

Action already taken by Government in some areas, such as liberalisation of import policy and a reduction in import tariffs, is beginning to have its impact on input costs and exports. However, there are other factors, such as high indirect taxes which impinge upon the cost structure. Far-reaching reforms in indirect taxes so as to remove cascading effect of multi-point levies on final prices of products have been suggested by an expert committee appointed by Government.

Role of Exports

In the world economy, following the oil crisis, new growth areas have emerged in the Middle East and South East Asia. A study conducted by ICICI for a cross-section of non-traditional export items, has revealed an improvement in financial profitability on exports during the recent years. While some favourable factors have enabled India to make a small break-through in the international markets for manufactured goods, for ensuring competitiveness of exports with reasonable profitability, measures to contain manufacturing costs and improving efficiency in production are necessary. In order to increase earnings from exports, our endeavour should be to increasingly switch from exports of semi-processed to high value-added items. In due course, the country should aim at export of manufactures based on higher technology.

Opportunities in export markets provide an additional thrust to the indigenous industry; they cannot substitute operations in domestic markets. Export promotion cannot, by itself, provide a new growth impetus to the industrial sector. The accent of new strategy should therefore be, in addition to export promotion, on forging closer links between organised industry on one hand and agriculture and small industries on the other so that all sectors grow in unison.

Organised Industry and Agriculture

In the past a nexus has already been established between agriculture, small sector and the organised industry. For realising maximum economic benefits of these interactions, linkages of the corporate sector with the rural economy need to be strengthened further. In addition to industry's social responsibility in developing rural sector, its own economic interest warrants more active participation in rural development. With a significant injection of developmental outlays envisaged in the agricultural sector, in irrigation, poultry farming, dairies and other allied activities, sizeable amount of additional income and employment will be generated in rural areas. The need of the agricultural sector for industrial inputs and consumer goods would rise. This is already demonstrated by what has happened in states like Punjab, Haryana and Andhra Pradesh where agriculture has become prosperous. It is for industry to accept this challenge and find out new applications for its product.

Business and industry can make a valuable contribution to rural development by taking up schemes, preferably in conjunction with various voluntary orgnisations already engaged in this task. ICICI has assisted in a modest way some agricultural schemes and made a further allocation of Rs. 25 lacs for rural development schemes. ICICI would like to keep in touch with its clients, small and big, engaged in this task and act as a catalyst, in channelising physical and financial resources of industry for rural development.

Organised Industry and Small Sector

Integration between the organised and the small-scale sector is a part of the normal process of growth as the experience of countries such as Japan, the U.K. and the U.S.A. show. This has also happened in India. Several units in the organised sector, which have themselves grown in size with technological progress and expansion in market, have developed ancillary units. Another type of relationship between the organised and the small sector industries is one of supplier and end-user a vertical integration in the process of production based on criteria of economic efficiency.

If, despite such links, the growth in output and employment in the small sector has not been up to expectations, reasons lie in the slow pace of growth in the economy as a whole and in some industries having linkages with small sector in particular. High effective incidence of indirect taxes on automobiles, commercial vehicles and other 'mother' industries restrained their growth potential as well as of small ancillary units linked with them.

Similarly, high incidence of duties on items such as plastics, synthetic yarn etc. has raised the manufacturing cost of small end-user units and thereby growth in market for their products.

In different degrees, units in cottage sector face similar problems as other small-scale units. The major dilemma of cottage sector industries has been limited purchasing power with rural consumers. While the rural markets had a subdued growth, in terms of quality they could not get a foothold in urban markets, nor could they gauge the consumer preferences in these markets.

If cottage and village industries are to generate a large number of employment opportunities in non-agricultural sector as is envisaged, the quality of their products will have to improve and rural markets will have to grow. With minimal overheads, these industries have a natural competitive advantage in rural markets. This will have to be supplemented by strengthening the organisational structure, upgradation and technology and adoption of suitable marketing methods. Involvement of business and industry in these areas following various fiscal incentives provided in the last Budget and major organisational reform envisaged by Government for village and cottage industries, would create conditions for self-sustaining growth of the small sector.

Industry and Employment

It needs to be stressed that the **sine qua non** of acceleration in the pace of growth is development of agriculture, small sector and organised industry. Towards this end, there cannot be any real conflict between small and the organised industries or between industry and agriculture in development planning with a long-term perspective. Capital-intensive as well as labour-intensive technologies have their own place in a developing economy.

It is not always appreciated that contribution of organised industry to growth can be more in terms of output than direct employment. One of the reasons for low employment content in our past investment is relatively low proportion of outlays on construction work of all types—roads, bridges, irrigation dams, houses and so on. Although as a part of relief work in areas affected by natural calamities or as part of minimum wage programmes. State Governments resorted to construction projects, due to a continuous strain on resources or other problems such programmes have remained sporadic.

Investment in housing has many advantages. Ownership of house provides a strong motivation to an individual to save. It is one of the most important lead sectors for accelerating investment in basic industries. It also provides a large number of direct and indirect employment opportunities to unskilled and skilled labour. In order to assist the process of creating more employment opportunities through new housing programmes, ICICI has sponsored this year the Housing Development Finance Corporation Limited, as an independent agency to fill a gap in institutional finance.

New Growth Strategy

It is gratifying to note that Government is keen to create a congenial climate far boosting investment. As the first step in this direction, it has undertaken a comprehensive review of procedures and policies in major areas such as industrial licensing, direct and indirect tax policies, import and export policies and so on, with a view to facilitating rapid growth in output and investment.

While formulating new growth strategies, we need to appreciate that investment **per se** is not a sufficient condition for accelerating growth. The accent will have to be on maximising efficiency in the use of capital. For instance, in many sectors, replacement and modernisation investment in existing units may be a preferable alternative for raising output at lower per unit cost than new investment.

Due weightage to the economic and efficiency criteria assume great significance at a time when a thorough introspection of the existing policies is taking place. Moreover, the objective of rapid expansion, which has eluded us so far, is within the reach of the country. Corrective actions to restore operational viabilily of industrial projects at this juncture will help revival of economy by expanding markets and stimulating new investment in sectors where it is most needed.

The new growth impulses arising from exports and rural development are promising and need to be strengthened to enable the organised industry to play a crucial role in the task of overall development. Each sector has its own strong point. While the small sector offers scope for creating a large number of employmen
tunities, the large sector has
tage of scale. It can also
technological, managerial an
inputs necessary for upg
of other sectors. The maj
lenge of the present situati
evolve a growth strategy base
the strong points of each
sectors.

Operations of ICICI

Turning to the operations o
during 1977, there was a co
increase in net sanctions a
bursements. ICICI's earnin
profits in 1977 exceeded the
of 1976. The net profits
Corporation showed a
increase thanks to the tax re
25 per cent (against 10 pe
in the past) extended by G
ment under its 1977 Budget.
lability of this tax relief is
tional on equivalent transfe
profits to special Reserv
ICICI,

To meet the rising deman
funds ICICI further augment
resources. In order to stre
its equity base, the Corpo
made a rights issue of Rs
crores. I would like to than
share holders for participati
this issue. I would also l
express our indebtedness to G
ment of India and financial i
tions in India and abroad for
generous support to the Co
tion.

N.B. : *This is an extract fr*
Chairman's Statement
lated to the shareholders
the Directors' Report
Acconnts for the year
December 31, 1977.

February 9, 1978

ONCE BUILT LASTS EVER

USE

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Draft Plan proposes four per cent growth in farm output

According to the draft Plan 1978-83, presented to the National Development Council, the accent is on the eradication of poverty, creation of a more equal society and on achieving substantial progress towards the aims of full employment to be achieved within a period of ten years. The draft Plan also envisages a growth rate of 4.7 per cent.

THE DRAFT PLAN for 1978-83 presented by the Planning Commission to the National Deveopment Council proposes a otal outlay of Rs 116,240 crores of which the outlay in he public sector would be Rs 69,380 crores. It envisages a rate of growth of 4.7 per cent and expects that a potential for 5.5 per cent growth will be built up by the end of the period. In the four years of the fifth Plan the average rate of growth was 3.9 per cent as against the Plan target of 4.3 per cent.

Major Thrust

The major thrust in this Plan will be on achieving substantial progress towards the aims of full employment, eradication of poverty and the creation of a more equal society. The draft Plan proposes therefore, that the principal objectives of planning should now be defined as, achieving within a period of ten years:

(i) The removal of unemployment and significant under-employment;

(ii) an appreciable rise in the standard of living of the poorest sections of the population;

(iii) provision by the state of some of the basic needs of the people in these income groups, like clean drinking water, adult literacy, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums.

Primary Objectives

These primary objectives would be attained while:

(iv) Achieving a higher rate of growth of the economy than in the past;

(v) Moving towards a significant reduction in the present disparities of income and wealth; and

(vi) Ensuring the country's continued progress towards self-reliance.

The Plan indicates four areas of emphasis in achieving these objectives—agriculture, cottage and small-scale industries, area planning for integrated rural development and the provision for minimum needs.

The over all Plan size projected for 1978-83 is Rs 116,240 crores of which the public sector outlay accounts for Rs 69,380 crores, representing 59.7 per cent of the total Plan outlay. The draft Plan has been given a rural orientation. Outlays on rural and agricultural development will account for 43.1 per cent of the total Plan outlay. The total outlay on agriculture and rural development will be about twice as high as in the fifth Plan.

The production of foodgrains is expected to increase from 121 million tonnes to 141 million tonnes, oilseeds from 9.2 to 11.2 million tonnes and of cotton from 64.30 lakh bales to 81.50 lakh bales.

The annual growth rate stipulated for agriculture is 3.98 per cent, for industry and minerals 6.92 per cent, for electricity 10.80 per cent, for construction 10.55 per cent, for transport 0.24 per cent and other services 6.01 per cent.

The draft Plan envisages that per capita consumption levels will rise at the rate of 2.21 per cent during the period 1978-83 and 3.18 per cent during 1983-88. Savings as a proportion of gross domestic product are expected to rise from 19.8 per cent in 1977-78 to 23.4 per cent in 1982-83. Exports are expected to increase to Rs 7750 crores by 1982-83.

Employment Strategy

The employment strategy of the draft Plan is (a) to adopt an employment intensive sectoral planning; (b) to regulate technological change to protect and enhance employment; and (c) to promote area planning for full employment. A substantial amount of additional employment will be generated by the expansion of irrigated agriculture and the largely expanded allied sectors of dairying, forestry and the fisheries. The Plan will also generate employment through, (a) the expansion of infrastructure and social services, e.g. road construction, electrification, water supply, rural schools and community health services, and (b) a large increase in the consumption of the poor; such consumption will create additional employment for wage goods which can be produced by labour-intensive methods.

The irrigation, power and housing programmes also imply a massive increase in construction activity with a corresponding expansion of employment opportunities.

Selected Sectors

For certain selected sectors like sugar and textiles the choice of technology has been studied. Labour-intensive methods of production will be encouraged wherever appropriate. The measures for doing this would include reservation of fields of production for the household and small-scale sectors of differential excise protection. The investment and production targets, along with the above measures, will result in the creation of employment opportunities of the order of 49.26 million man-years. This is expected to absorb the estimated expansion of 30 million labour force in the period 1978-83 as also a substantial part of the backlog.

The draft Plan envisages a big increase in the minimum needs programme with a total outlay of Rs 4,180 crores as against Rs 800 crores in the fifth Plan. In this Plan the earlier list of basic needs, viz., supply of drinking water, provision of house-sites for the homeless, village access roads, elementary education for the rural poor, provision of rural health services, extension of rural electrification, environmental improvement of slums and nutrition for the undernourished will be extended to include adult education. The salient features of this programme are:

(a) *Elementary and Adult Education*: About 32 million children will be covered during the Plan period. Increasing the coverage of elementary education from 69 per cent of children in the age groups 6-14 to 90 per cent. Of the 100 million or so adult illiterates in the age-group 15-35, an attempt will be made to make 66 million literates by the end of the Plan.

(b) *Rural Health*: It is intended that a community health worker and a trained *dai* will be provided for every 1000 of the population as soon as possible. In addition to completing the backlog of construction of primary health centres and sub-centre buildings by the end of the Plan, there will be one PHC per block and 38,000 new sub-centres. In addition, 400 primary health centres will be upgraded into 30-bedded hospitals.

(c) *Drinking Water*: One lakh villages, which were earlier estimated to be lacking in safe dringing water supply, should have this facility by the end of the Plan.

(d) *Rural Roads*: All villages with a population of over 1500 and above, half the villages with population of 1000 to 1500 would be linked by roads and the other half would be covered in the next five years.

(e) *Rural Electrification*: Besides strengthening the existing rural electrification system, approximately 40,000 villages will be electrified by 1982-83 as a part of a phased programme to cover at least 50 per cent of the villages in every state and union territory.

(f) *Housing & Urban Development*: About seven million landless labourers were provided with house-sites in the fifth Plan but no assistance was provided for developing or building on these sites. In the Plan about eight million landless workers will benefit from a scheme for providing developed plots, a drinking water source for every 30 houses, sanitation and some assistance for materials. The scheme envisages all the manual work being contributed by the beneficiaries. In urban housing the programme of slum improvement will benefit about 13 million slum dwellers, leaving about 18 million to be covered in the next Plan. Special emphasis will be given to housing for the economically weaker sections especially in the smaller towns. The thrust of the urban development strategy is to develop the smaller towns and to decongest the larger cities.

(g) *Nutrition*: The coverage of mid-day meals scheme for under-nourished children and the supplementary nutrition programme for mothers and infants will be preferentially extended to blocks which have a high proportion of scheduled castes and scheduled tribe population. The estimated numbers of additional beneficiaries would be 2.6 million children under the nutrition scheme and four million children under the mid-day meals scheme.

The draft Plan proposes a strategy, as a result of which the percentage of people below the poverty line will be reduced substantially. To achieve this objective a variety of redistributive measures are necessary. These should influence, first of all, the existing distribution of assets, particula agricultural land, urban estate and corporate perty. Second, public sec operations should steer distribution of essential co

TABLE I

Output Projections of Principal Commodities—1982-83

S. No.	Item	Unit	1977-78	1983-8
1.	Foodgrains	Mill. Tonnes	121.00	140.48 144.48
2.	Sugarcane	Mill. Tonnes	156.90	188.00
3.	Cotton	Lakh bales (170 Kg. each)	64.30	81.50 92.50
4.	Oilseeds	Lakh tonnes	92.00	112.00 115.00
5.	Coal	Mill. Tonnes	103.20	149.00
6.	Crude Petroleum	Mill. Tonnes	10.77	18.00
7.	Cloth-Mill Sector	Mill. Mtrs.	4200.00	4600.00
	Decentralised sector	,,	5400.00	7600 00
8.	Nitrogenous Fertilisers (N)	Th. Tonnes	2060.00	4100.00
9.	Phosphatic Fertilisers (P_2O_5)	Th. Tonnes	660.00	1125.00
10.	Paper & Paper Boards	Th. Tonnes	900.00	1250.00
11.	Cement	Mill. Tonnes	19.20	29.00 to 30.00
12.	Mild Steel	Mill. Tonnes	7.73	11.80
13.	Aluminium	Th. Tonnes	180.00	300.00
14.	Commercial Vehicles	Th. Numbers	40.00	65.00
15.	Electricity Generation	G.W.H.	100.00	167.00

TABLE II

Sectoral Growth Pattern: 1977-78 to 1982-83

Sl. No.	Sector	Share in value added		Growth rate %	
		1977-78	1982-83	Value added	Output
1.	Agriculture	42.50	38.71	2.76	3.98
2.	Mining & Manufacturing	18.47	18.76	5.03	6.92
3.	Electricity	1.71	2.14	9.55	10.80
4.	Construction	5.74	7.64	10.09	10.55
5.	Transport	4.37	4.96	4.65	6.24
6.	Services	26.61	27.79	5.61	6.01

lities, infrastructure facili- and social services in our of low-income consu- s. Third, on the produc- side, the share of small ners and small industrial rprises in institutional credit in the supply of material uts needs to be increased, their access to technical marketing assistance roved. Fourth, policies ich minimise unemployment uld be expected to reduce qualities. And, finally, the al and urban poor have to organised.

Thus, in addition to fiscal asures, a redistributive bias to be built into the whole ctrum of production, distri- ion and employment poli- s and in the organisational ort of official and non-official encies. A number of redis- outive policies have been oposed which include speedy d reforms, tenancy reforms, onalisation of urban and cor- rate property. More effective tribution of goods and ser- es with a bias towards the aker sections, dual pricing licy, a stronger public distri- tion system for the consu- r goods and the distribution credit and other inputs to all producers and farmers.

distributive Strategy

As part of its redistributive ategy, the draft Plan inclu- several provisions for pro- oting the development of ckward classes and back- rd areas. These will receive ority in areas planning asures, in the minimum ds programme and in cial programmes for back- rd classes, hill areas and bal areas. The Plan empha- es the need for an incomes icy for reducing income parities.

The draft Plan proposes a massive shift of resources in favour of rural areas with an in-built redistributive character in almost every programme.

The draft Plan suggests wide-ranging steps to broaden the tax base in order to meet the resource requirements of the Plan. The Plan proposes the raising of more revenue from indirect levies keeping the various socio-economic objectives in view and inducting a greater degree of progressivity in direct taxes. It also suggests a reduction in subsidies, revision of present price policy of public undertakings and increase in the rate of contribution to provident fund from six to 8.3 per cent by government servants, continuance of the compulsory deposit scheme for the next five years and introduction of compulsory group insurance for employees in the entire organised sector.

In the state sector, proposals for additional resources mobilisation include agricultural taxation or a progressive increase in the surcharge in land revenue, market cesses, revision of irrigation and electricity tariffs. The other measures suggested are extension of rural debentures and mopping up of a part of the capital gains in land and property values.

TABLE III

Aggregate Resources for the Five Year Plan—1978-83

(Rs crores at 1977-78 prices)

1. Public Sector Saving	27,444
2. Saving of Financial Institutions	1,973
3. Saving of the Private Corporate Sector	9,074
4. Household Saving	62,364
5. Total Domestic Saving	100,855
6. Net inflow from abroad	
(a) External assistance	3,955
(b) Drawings on Foreign Exchange Reserves	1,180
6. Budgetary Provision for Current Development Outlay	10,250
Aggregate Resources	116,240

The public sector outlay of Rs 69,380 crores is proposed to be financed as given in Table IV.

Resource Mobilisation

The financing scheme of the Plan envisages additional resources mobilisation of Rs 13,000 crores, Rs 9,000 crores by the centre and Rs 4,000 crores by the state's. The total tax revenue by the central and state governments resources at present rates of taxation would be of the order of Rs 12,889 crores. Contribution of market borrowings of government, public enterprises and local bodies will be Rs 15,986 crores. The net term loan of financing institutions will amount to Rs 1,296 crores. The utilisation of foreign exchange reserves would be Rs 1,180 crores. Even after that an uncovered gap of Rs 2,226 crores will be left.

The Plan states that the primary aim of the 'price policy' would be to operate the economy within the "regime of stable prices while implementing the investment programme." This is sought to be achieved by, (a) ensuring a reasonable balance between aggregate demand and supply to be sustained through a mixture of fiscal and monetary policies, (b) providing for a steady increase in the supply of goods of essential mass consumption, and (c) by evolving internally consistent policies dealing with prices of agricultural commodities, those of manufactures in the private and public sector and prices of various services.

Insofar as the agricultural prices are concerned, the draft commends the approach of the Agricultural Prices Commission. It is suggested that in the interest of the price stability no price increase should be given to the agricultural products unless it is justified by a substantial rise in the input prices. The draft also recognises the need for paying greater attention to the fixing of relative prices of competing crops. With regard to the price of the manufactures it is contemplated that the price fixation would be limited to a few commodities where this is dictated by the need for maintaining over all price stability.

Monetary Policy

The main objective of the monetary policy is to restrict the price fluctuations to the minimum. It is proposed to monitor the balance between aggregate demand for goods and aggregate supply; and to relate the growth of money supply to the growth of net domestic product. The draft recognises the need for caution in determining the permissible rate of growth of money supply, particularly because the pattern of investment envisaged in the Plan is likely to generate incomes among groups with low savings propensity. It proposes the formulation of an aggregate monetary budget.

Notwithstanding some uncertainty about the trend of world trade and the extent to which the developed countries as a whole may wish to restrict the import of certain commodities of interest to India, the outlook for the growth of India's international trade is on the whole favourable. The draft recognises the diversification of India's trading pattern due to the development of the West Asian market, as also the prospects of growth of trade under India's bilateral agreements. However, the selection of commodities for export promotion in the future is proposed to be mainly on the basis of dynamic comparative advantages, taking into account the domestic resource cost of exportable commodity.

According to draft Plan, the exports are estimated to rise from Rs 5,146 crores in 1976-77 to Rs 7,750 crores in 1982-83. The imports will increase from Rs 5,076 to Rs 10,500 crores. The gap in the balance of payment position works out to Rs 9,200 crores. It is expected that the gross inflow of aid over the Plan period will be about Rs 8,020 crores. The remaining gap of Rs 1,180 crores would be bridged by drawing down on the country's foreign exchange reserves which would be above Rs 4,000 crores at the beginning of the Plan. The net inflow of external resources including the use of reserves would be less than five per cent of the Plan outlay.

Important Feature

An important feature of the draft is that planning would cease to be critically dependent on the quantum of aid. Aid accounts for only five per cent of the total Plan outlay.

This sector will receive the highest priority. The strategy for crop production will be to increase the area under irrigation, gross cropped area and cropping intensity and to ensure larger application of inputs. This will be backed by improved agronomic practices for higher officiency through development and propagation of better seeds, a strengthened extension system, assured availability of credit and improved facilities for marketing, storage and processing. A policy of optimal land use involving integrated watershed management which covers measures for flood control, drainage, reclamation and reshaping of land, mixed farming for marginal land and a silvi-pastoral approach for areas with low rainfall will be adopted.

A concerted effort has been proposed to improve the allied sectors of agriculture like animal husbandry, dairying, fisheries and forestry.

Accent on Irrigation

There will be a large step-up in the irrigation potential; by 17 million hectares as against 8.6 million hectares created in the first four years of the fifth Plan. Of these, nine million will be as a result of minor irrigation schemes (of which seven million will come through groundwater development and the remaining two million from small surface irrigation projects). Major and medium irrigation projects will create a potential of 8 million hectares. The outlay for irrigation and flood control in the draft Plan is Rs 9,650 crores as against Rs 4,226 crores in the fifth Plan.

Power: In the draft Plan period a start is proposed on one more nuclear power station, besides the completion of the Madras Atomic Power Station and commissioning of the first unit at Narora. In the next five years, an addition of about 18,500 million watts of generating capacity is projected, of which 13,000 will be thermal, 4550 hydro and 925 nuclear. This will take the country's total installed capacity to about 44,500 million watts by the end of the Plan. In this Plan the work will commence on three super thermal power stations. The outlay on the power sector is Rs 15,750 crores as against Rs 7,016 crores in the fifth Plan.

Rural electrification will receive added emphasis. Twenty lakh pumpsets and one lakh villages will be energised during the period 1978-83 as against nine lakh pumpsets and 80,000 villages in the last four years.

Petroleum: Oil exploration is proposed to be intensified. The development of the Bombay High and Bassein structures will be completed in the next two to three years and production capability dev ed to reach a peak of million tonnes per year. oil production policy in next five years will be wei in favour of conservatio our limited resources. T production both offshore onshore may have to be below technically fea levels.

The commissioning of Mathura and Bongaigao fineries and expansion Gujarat refinery will take total refining capacity o country to 37.45 million t per year by 1980-81. This mean that with some inc in import of petroleum ducts there should be suffi refining capacity in the cou to meet the demand till end of the Plan.

Coal: With the rapid ex

TABLE IV

Estimated Budgetary Resources for the Public Sector Pla

(Rs crores at 1977-78 pr

1.	Central and state government's resources on revenue account at 1977-78 rates of taxation	12
2.	Contribution of public enterprises at 1977-78 fares, freights, tariffs and rates	10
3.	Additional resource mobilisation	1
4.	Market borrowings of government, public enterprises and local bodies (net)	1
5.	Small savings	
6.	State provident funds	
7.	Term loans of financial institution (net)	
8.	Miscellaneous capital receipts (net)	
9.	External assistance (net)	
10.	Utilisation of foreign exchange reserves	
11.	**Total**	6
12.	Uncovered gap	
13.	Aggregate resources	6

*Net of repayments only. Interest has been allowed for Item 1.

son of thermal power generaion, steel and other industries he demand for coal will rise n the coming years. While ndia had fairly large reserves f low grade coal, reserves of sable coking coal are limited, s a measure of conservation, herefore, import of low ash oking coal in significant uantities has been proposed. The total outlay of the three ectors is given below:

TABLE V

Outlays in the Energy Sector

(Rs crores)

Head	Fifth Plan 1974-79	Plan 1978-83
Power	7016	15,750
Petroleum	1691	2550
Coal	1148	1850
Total	9855	20,150

The industrial strategy adopted in the Plan is thus to:

(a) Make the fullest use of existing capacity. In many fields, consumer, intermediate and capital goods industries are currently operating at well below capacity, e.g. engineering, textiles, sugar;

(b) Employ technologies which have a low capital to output ratio, provided production costs are not adversely affected to any significant extent. This will call for a review and if possible for an expansion of the list of industries reserved for the small scale and cottage sector;

(c) Conserve scarce non-renewable resources such as coking coal and other minerals of which we have relatively low reserves;

(d) Use the foreign exchange reserves. This will require a planned gap between demand and supply to be met by imports. Generally, industrial investments in the public sector and private sector will have to be based, more than in the past, on a comparison of costs of production with the economic cost of imports. At no point, however, will the gap be allowed to grow to a point where it exceeds a reasonable proportion of the total international trade in that commodity. To balance this, the drive for export of labour intensive manufactured goods like handlooms, leather goods, readymade garments and engineering products, where we are in a strong competitive position, will be intensified;

(e) Reduce the concentration of economic power in the corporate private sector, through a mix of policy, regulatory and organisational measures;

(f) Take timely steps through injection of finance or management or by modification of government policies to minimise the incidence of sickness in private companies; and

(g) Reduce production costs through a combination of measures such as exposing domestic industry to a limited degree of competition from imports and by ensuring that, where economies of scale are significant, only units of an economic size are put up.

Priority Sector

As a major contributor to the planned growth of employment, this sector will receive very high priority. The development effort will be mounted on many fronts including reservation of industries and excise duty differentials. To ensure coordinated growth and minimise the number of contact points District Industries Centres (DIC) will be set up. Research and technology transfer to this sector will be given much greater impetus. Regarding credit, the possibility of extending the margin money scheme is being considered. In marketing the major effort will be to remove the middle man and to provide through the cooperative sector a remunerative outlet for the products of cottage industries. Steps will be taken to enhance the provision of training, technical assistance and other facilities. The outlay for village and small industries will be stepped up from Rs 387.8 crores in the fifth Plan to Rs 1410 crores.

Higher Outlay

The outlay on large and medium industries in the public sector will be stepped up from Rs 6852 crores in the fifth Plan to Rs 8940 crores.

Steel: The production of steel is expected to increase from 7.7 million tonnes to 11.8 million tonnes. A start on a new steel plant is envisaged towards the end of the Plan.

Cement: The demand for cement is expected to be 31 million tonnes in 1982-83 against which indigenous production will be 30 million tonnes. The remunerative price for cement announced recently, the use of slag and improved technologies are expected to lead to the rapid growth of cement production.

Fertilizers: Output of nitrogenous fertilizers is expected to go up from 2.06 million tonnes in 1977-78 to 4.1 million tonnes in 1982-83. Starts will have to be made on nine new plants.

Petrochemicals: Besides making provision for ongoing schemes in the public sector, outlays have been provided for setting up a large olefins complex, a plant for aromatics recovery and a polyester plant.

Drugs & Pharmaceuticals: Substantial expansion of capacity is envisaged in which a major role is expected to be played by the two existing public sector units IDPC and HA.

Textiles: The bulk of the additional requirements of cloth will be met by increasing the output in the handloom sector. No increase in looms either in the mill or the powerloom sector will be permitted though modernisation and replacement of old looms will be allowed. If the handloom sector is able to produce more than what has been estimated, suitable cuts will be imposed on the production targets in the other sectors.

Sugar: Since capacity already installed or in construction will be adequate no new sugar plants will be set up. A recent study of technological options indicates that future growth in sugar should be through khandsari plants, as these provide the largest employment.

Vocational Education

Education: The priorities in the next Plan will be the removal of illiteracy, universalisation of elementary education and making education more employment-oriented and relevant to society. Expansion of general academic courses in secondary and university education will be kept down and emphasis shifted to vocationalisation.

Health: The main objective will be to provide better health care and medical services to the rural areas and the urban poor. Establishment of new hospitals, additions to the existing hospitals and the number of additional beds would be so planned as to ensure balanced regional distribution, viability and sound management. Programme for control/eradication of communicable disease, especially of malaria, will be given special attention.

Family Welfare: The family welfare programme will continue to be accorded very high priority. The strategy will be to increasingly integrate the health, family welfare, maternity and child health and nutrition services at all levels.

TABLE VI

Outlays for Social Services

(Rs crores)

Sector	Fifth Plan 1974-79	Plan 1978-83
Social Services		
Education	1285	1955
Health and Family Welfare	1179	2095
Housing, Urban Development and Works	1189	2540
Water Supply	971	1580
Social Welfare and Nutrition	202	305
Backward Classes and Harijan Welfare	327	545
Others (Rehabilitation, Welfare etc) including unclassified	1071	335
Total	5224	9355

For the development of science and technology an amount of Rs 650 crores has been earmarked. This includes atomic energy, space, and CSIR. The two primary aims of the science and technology in the Plan would be to (a) focus on meeting the needs of rural development, and (b) to move towards greater technological self-reliance.

Expert Committee

For the successful implementation of the Plan, the draft proposes to take steps to streamline monitoring of projects and programmes, more effective review to identify areas where improvement is needed and an efficient machinery for ensuring coordination between financial institutions and government. A number of expert committees to report on (a) demographic policies and their implementation and (b) energy policy, and (c) comprehensive transport planning, are being set up. To make decentralisation of the planning process a reality, the draft Plan suggests the strengthening of planning machinery in states to develop independent planing capability at district level. While model planning structures at these levels would be suggested by the Planning Commission it will be for every state to adopt them for its own requirements.

The overall investment plan, the public sector outlay and capacity and production targets for major sectors have been worked out for the five year period 1978-83. For some sectors the expected growth for the next five year period up to 1987-88 have also been indicated. But it has not been possible, due to constraint of time, to indicate in this document the outlays and output targets year by year for the year 1978-83. This exercise will be completed shortly. Meanwhile programmes and projects under different sectors will also be formulated in detail, wherever this has not yet been done, in consultation with the central ministries and state governments. The executing agencies will then be expected to prepare their schedules of implementation for achieving the annual targets. Before the end of this year the projections for more important sectors will be indicated for an additional year beyond the present Plan period i.e. up to 1983-84.

Periodic Review

The extension of the Plan horizon in this way is essential for the phasing of investment decisions in sectors such as irrigation and power. While preparing the annual Plan for 1979-80, the progress of major sectors during 1978-79 will be reviewed. If there are slippages in any area, additional effort would be indicated for achieving the 1982-83 target. If however, the demand outlook in any sector has changed significantly since the preparation of the plan, or if in the light of better information, some earlier forecasts need to be modified, the necessary limited adjustments will be carried out. This, in brief, constitutes the methodology of the rolling plan.

There are four elements needed for the success of any radical plan for restructuring rural life. First there must be a national consensus on the Plan itself. Over the years such a consensus has prevailed in respect of every n Plan. The strategy set o is the appropriate one next phase of the co development. The Pl Commission is confiden the objectives, prioritie policies laid down in this ment will find general tance with the centra state governments, all cal parties and all sectio informed opinion in country.

Concerted Efforts

Second, the Plan den determination of govern as a whole to raise and d all necessary resources a devote all their energies t fulfilment of its objectives.

Third, it requires of community the readines accept a degree of restrai the expansion of its cu levels of consumption for sake of the future.

Lastly, and most vitally, Plan must evoke the en siasm and participation o vast numbers of citizens w it will affect, more particul the target groups to whom benefits of the rural emp ment strategy have to carried. The poor and the possessed will not come their own only by plans programmes, however v conceived, by declarations intent or by exhortation thrift and labour. If the I is to succeed, they have to helped to organise themse to claim as a right the bene that should flow to them that in turn they may m their due contribution society.

The goals are attainal given only the national wil pursue them without fal ing.

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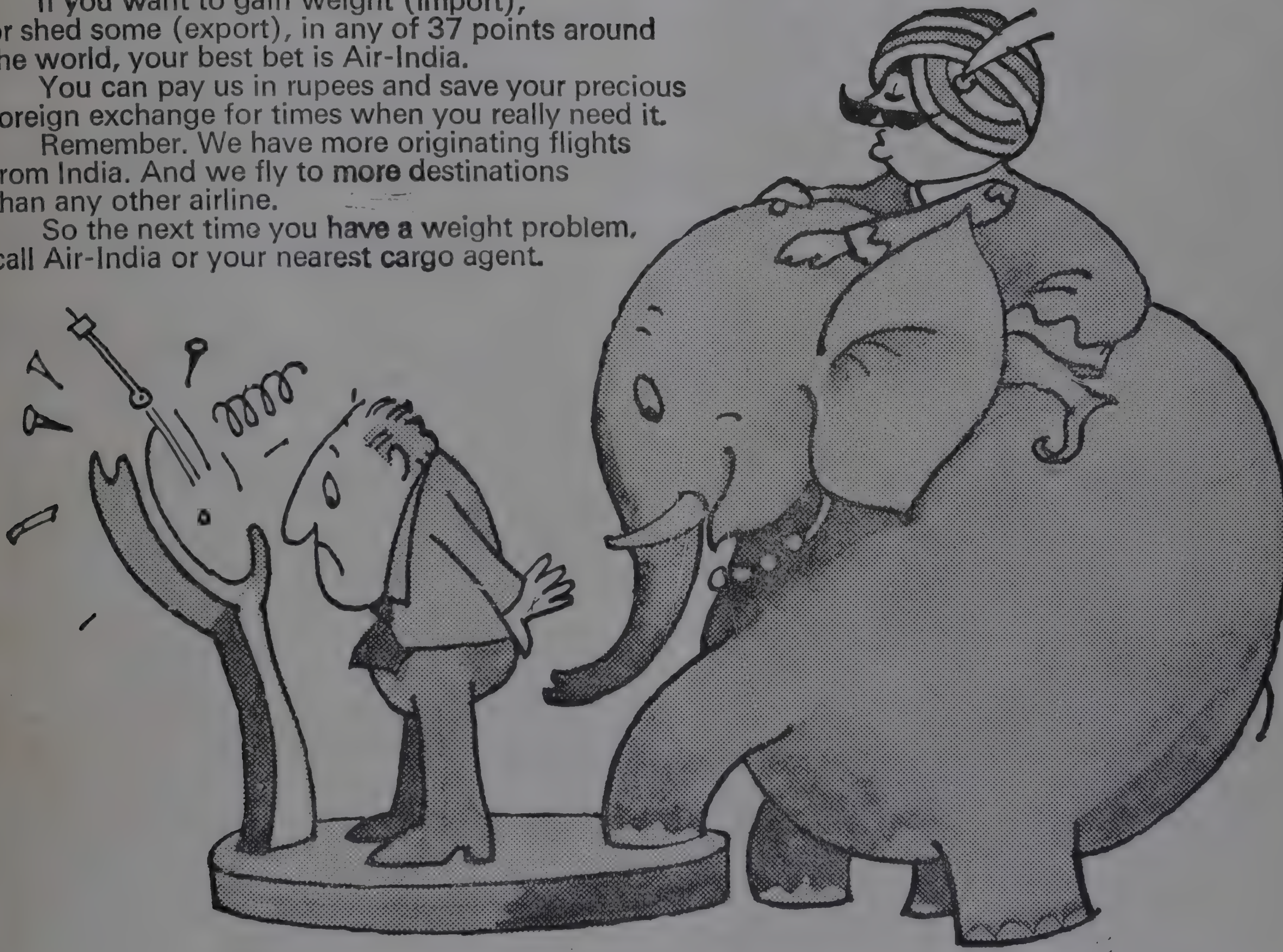

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Editor : V. Balasubramanian
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Too many prejudices, not enough new ideas

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THE ROLLING plan has started rolling even before it has been properly unrolled. Certain chief ministers have entered the spirit of the game with a vengeance. Having so far failed to persuade the prime minister to agree to a round-table conference on centre-state financial relations, they have adroitly used the meeting of the National Development Council, called to rubber-stamp the Planning Commission's draft five-year Plan for the period 1978-83, to bring on the agenda a debate on how the national pool of public finances is to be shared among the central and state governments. Although the carefully sterilized official briefing spoke of the draft plan being finalised after detailed discussions are held between the Planning Commission and the state governments, particularly with regard to the state plans, the truth is that the dissident chief ministers have succeeded in keeping wide open the major issues relating to drawing up a budget of resources for the plan. The only operative decision taken at this meeting of the National Development Council is the agreement on setting up a committee to review the Gadgil formula for the allocation of resources between the centre and the states and determine the scope of centrally-sponsored schemes in the plan. The implication is that, until this committee has reported and a consensus is reached, the resources framework drafted by the Planning Commission can only be treated as even more provisional than the total scheme of the plan as it stands at present.

In these circumstances, there is not much to be read into the sigh of relief emanating from certain grey eminences in the Planning Commission or the central cabinet over the general acceptance which the broad aims and objectives of the draft plan may have won from the National Development Council. Indeed it would have been childish on any one's part to quarrel with such principles as the removal of unemployment and significant under-employment, the promotion of an appreciable rise in the standard of living of the poorer sections of the population or the provision by the state of some of the basic needs of the people in these income groups, such as clean drinking water, adult literacy, elementary education, health care, rural roads, rural housing for the landless and minimum services for the urban slums. It would be ridiculous too to question a strategy of planning which would aim at achieving a higher rate of growth of the economy than in the past, emphasizing rural development through the expansion of agriculture and household and small-scale industries, securing a significant reduction in the present disparities of incomes and wealth, or ensuring the country's continued progress towards self-reliance. As a matter of fact, these had been the reiterated guidelines for all the previous plans and therefore the only worthwhile point of departure for another plan would be whether it would be able to produce valid and sufficiently dynamic new ideas for stepping up the efficiency with which the people and the government are to pursue these purposes.

In fact this is the touchstone with which this plan should be tested. Here credit is due to the planners for recognizing the overwhelming importance of intensive irrigation and power development. It is clear that a stage has now been reached where a big push could be given to the economy mainly through ensuring vastly improved water supply for farming and power supply for the needs of agriculture, industry and the transport sectors. It is proposed to promote the irrigation potential by 17 million hectares during this five-year period as against 8.6 million hectares created in the first four years of the fifth Plan. In order to meet the estimated electricity consumption of nearly 129 billion units in the terminal year of the plan, an addition of about 18,500 MW of generating capacity is projected in the next five years, taking the total installed capacity to about 44,500 MW by the end of the plan. This power programme will require an increase in outlay of about Rs 8,700 crores, which is by far the highest in any sector. The Planning Commission deserves credit for its bold and dynamic concepts in these two vital areas of development and it can be said at once that the nature and extent of the success achieved by this plan will be determined primarily by the results which the central and state governments are able to show in the fields of irrigation and power development in terms of the obligations which are proposed to be laid on them. If this plan manages to give any significant relief to the nation in respect of the grave burdens of mass unemployment and poverty in the derelict or depressed areas of rural life or livelihood and the urban slums, this will be in the degree in which it promotes the infrastructures of water and energy.

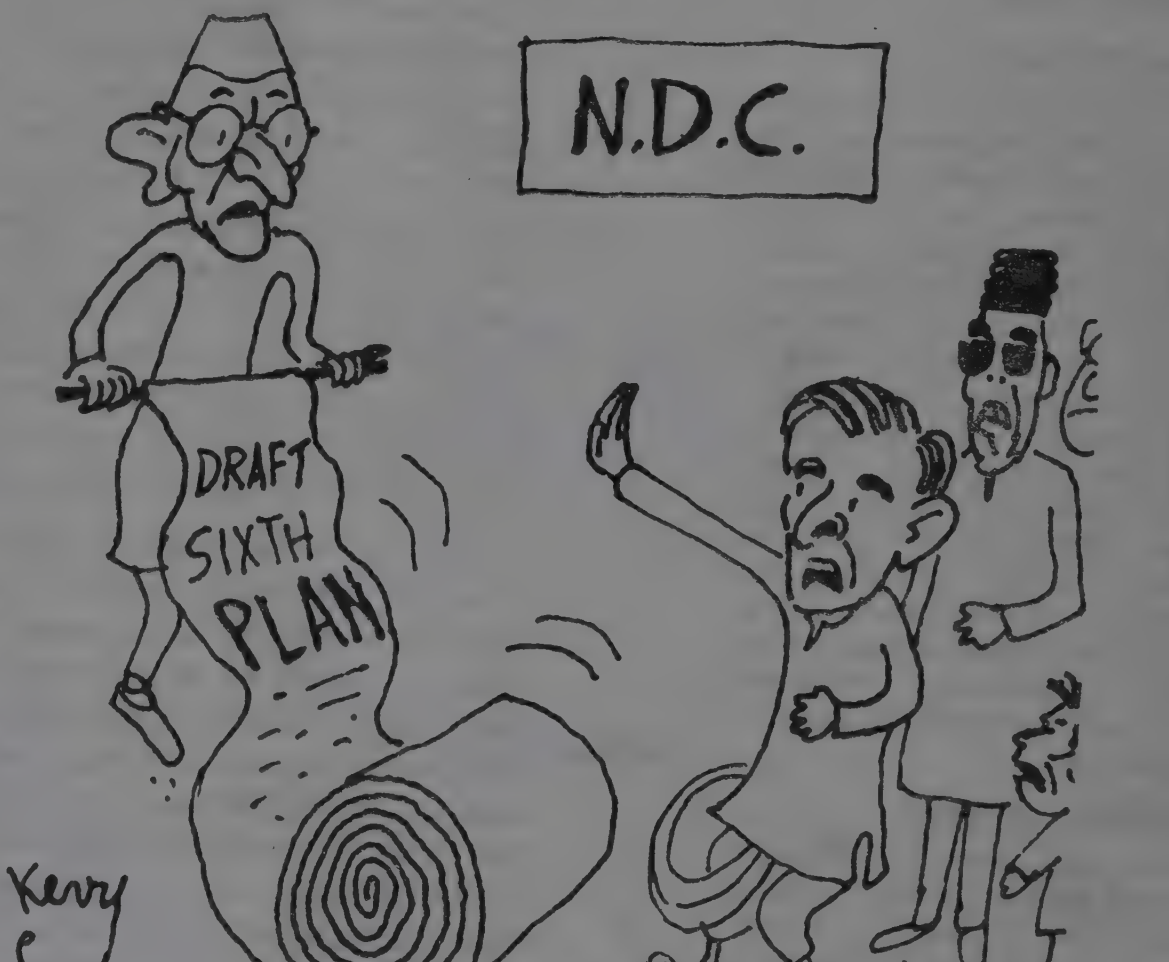
high-cost economy

The new ideas, however, are only a few. But prejudices, both old and new, abound. The Planning Commission indeed seems to have gone out of its way to prescribe for economic and social regimentation. Instead of trying to move away from a controlled economy, the community is to be pushed deeper into the maws of political and bureaucratic controls. Taking a jaundiced view of the role of large-scale industry in contributing to employment opportunities and improvements in consumption standards of the people, it has subordinated the industrialization of the country in terms of the continuously widening acceptance and adoption of advances in technology and business management, to a scheme of industrial planning which is bound to create a low-productivity, high-cost economy.

Blows have already been struck at several major industries in the organized sector. There is to be no expansion of weaving capacity in the textile mills. There are to be no new sugar factories as additional production is to be reserved for the khandsari sector. The larger firms are to be phased out of the production of consumer goods. The private corporate sector generally is to be brought increasingly under state control, largely by means of government or semi-government financial institutions steadily entrenching themselves in the management of public limited companies. In other words, the various apparatuses of government control of industry, such as industrial licensing, the MRTP Act, the FERA and price and profit controls are not only to be given a new lease of life, but boosted to monstrous proportions. Right now the pharmaceutical industry has been brought under rigorous control of all aspects of its functioning, including its day-to-day operations and this is clearly a sample of what is in store for other major industries in the country.

This approach towards large-scale industry is clearly inconsistent with higher targets for economic growth, expansion of markets for agricultural or other rural production or improvements in the incomes and consumption patterns of the mass of the people. It is also inconsistent with any dynamic resource planning for development since the restrictions on or the distortions of the organised industrial sector are bound to inhibit the growth of the tax base or other revenue resources for development. This should mean that the government's monetary and other economic policies will have to rely more and more on resort to compulsory or forced savings for funding plan programmes and this in turn would further obstruct the generation of investible resources, particularly through the voluntary savings of the community.

Given these risks, merely boosting public outlays to Rs 70,000 crores is not big planning but sick planning, while the further assumption of a total develo outlay of over Rs 116,000 crores is in bad taste. Perhaps in fairness present planners it should be addec even in the case of the previous figures given for the latter aggregate never meant to be taken seriously. T because at no stage in the planning cess in the last 27 years was any s thought given to the generation or guarding of the investment potent investible resources needed in or fo non-government sector. On the con fiscal, monetary and other measures continuously being taken for meeting financial outlays in the govern sector, without any notice being take their repercussions on the resources tion for development outside the go ment sector. This situation or trend certainly change for the worse du the period of the latest plan, sinc public sector's squeeze on resource bound to become even more exac There has always been a large eler of unrealism in economic planning in country, but it has now become a menace to the country's economic stab or the people's expectations of econo progress.



Roll it back till we decide centre-state financial relations.

Resources : planning hopefully

HE draft five-year Plan for the period 978-79—1982-83 envisages a step-up in he mobilisation of resources (in rupees) or investment by as much as 66 per cent n relation to the estimates of the revised fth Plan (1974-75—1978-79) which was pproved late in 1976. Since the fifth lan was abruptly ended in 1977-78, the ear 1978-79 is common to estimates of oth the Plan periods. The anticipated ncrease in resources by nearly two-thirds s based on the major parameters of the raft five-year Plan which stipulate an verage rate of growth in the economy at .7 per cent a year and a rise of four percentage points in the net saving rate from 16.5 to 20.5 per cent over the Plan period. The moot question is: how realistic are these assumptions?

The draft Plan document has attempted to justify the feasibility of the goals which have been set, though the adoption of the concept of a rolling Plan provides the Planning Commission with the opportunity to revise the targets every year in the light of experience. One thing which is clear is that the draft plan for the next five years has been seen as a continuation of the truncated fifth Plan and that the estimates put forward in regard to the raising of financial resources follow the pattern as well as the terminology used in the earlier Plans.

source of savings

As in the earlier Plans, the bulk of the savings is expected to emerge from the domestic economy and the household sector is anticipated to play a dynamic role in this regard. Out of the total anticipated savings of Rs 100,855 crores, the share of household saving is put at Rs 62,364 crores (see Table). Again, household savings are split up into direct household investments and increase in financial assets. While household investments for the Plan period are estimated at Rs 28,245 crores, the rise in financial assets is computed at Rs 34,119 crores. By and large it is assumed that the rate of saving in the household sector will remain unchanged as a proportion of the disposable income and that direct household investment will maintain its usual relationship with the national income. The increase in household financial assets is projected on the historical basis under such heads as deposits, currency, life insurance fund, provident funds, investments in units, debentures and shares of corporate and cooperative sectors. The performance of this sector rests solely on the expected increase in national income and consequently the improvement in disposable income. If the target of annual growth in national income at 4.7 per cent should prove too ambitious, there will be no option but to scale down the size of the Plan, and, *ipso facto*, the contribution of domestic savings.

It may be recalled that a year ago, the Janata party leaders had proclaimed after assuming the reins of power at the centre that the earlier government had made a mess of the economy. It is amusing to note that because the Planning Commission had been called upon to draft an ambitious Plan, it could not help stressing arguments such as (*i*) the saving capability of the economy has increased, (ii) an adequate stock of technological skills is available, (*iii*) a strong and diversified industrial and infrastructural base has been built up and (iv) in parts of the country, agriculture is highly advanced. Surely, the enlarged Plan would have been difficult to draft for the Planning Commission if it had not taken into account the achievements of the economy registered in the last three decades which were not of a mean order.

Estimated Savings and Investment

(Rs crores)

	1974-75—1978-79	1978-79—1982-83
(i) Public savings	15,028	27,444
(ii) Private corporate savings including cooperatives	5,548	8,293
(iii) Savings of financial institutions	1,263	2,754
(iv) Household savings	36,481	62,364
(v) Aggregate domestic savings	58,320	100,855
(vi) Inflow from the rest of the world	5,431	5,135
(vii) Total resources available for investment	63,751	105,990
(viii) Budgetary provision for current development outlay	—	10,250
(ix) Aggregate resources	—	116,240

national income

Over the long period, the national income of the country has risen at an annual rate of 3.5 per cent. To raise it to 4.7 per cent per annum in the next five years will no doubt exert enormous pressure on the investible resources of the community since nearly half of this country's population is estimated to live below the poverty line with little scope for saving and investment. Also, the Janata government at the centre will need the active cooperation of the states—not all of them governed by the Janata party—for achieving the objectives set down in the draft Plan.

The bank deposits, life insurance savings and provident fund contributions form the backbone of household financial savings. The budget proposals for 1978-79 have already provided for increased savings through life insurance premia by raising the tax-free limit from Rs 4,000 to Rs 5,000. If the provident fund contributions are raised from 6¼ per cent to 8⅓ per cent, the target which the Planning Commission has set under this head can be easily achieved. The buoyancy in bank deposits witnessed in the recent past points to the possibility of the continued support from this component of household savings, though the recent scaling down in interest rates is likely to divert a part of the anticipated savings into other channels. The spurt in time deposits of banks was a direct result of the prevailing high interest rates. The fears expressed by bankers that the high rate of growth in time deposits witnessed in recent years may not be maintained in the coming years, are not entirely unfounded.

Even though the Economic Survey for 1977-78 had candidly expressed its dismay with regard to the capacity of the public sector enterprises throwing up sufficient surpluses for investment, the draft Plan has more than doubled the likely savings from this source. Whereas the revised fifth Plan document expected savings of the order of Rs 6,492 crores from public enterprises, the Planning Commission hopes to obtain Rs 14,296 crores from this source in the next five years. The argument advanced is that the return from many of these enterprises has been rising in recent years. The Planning Commission is right when it states that these enterprises can improve their performance by working efficiently and by adjusting their prices in keeping with their costs. The railways, posts and telegraphs, state electricity boards, road transport corporations and others can yield additional resources if their services are so priced as to cut out all losses and instead provide adequate return on capital investment.

rationalising tax structure

The high-level committee of experts which has been set up to make recommendations for rationalising the tariff structure and improving the working of the electricity boards may take some time to produce its report but who is there to ensure that the boards will comply with its suggestions ? Another committee is looking into the freights and fares of the railways. The Planning Commission's suggestion that public enterprises should earn at least 10 per cent (net of taxes) on capital employed is basically sound, but unfortunately no machinery exists for ensuring compliance with this recommendation.

The exercise in regard to "balances from current revenues for the centre and the states" under public savings follows the usual pattern of estimated receipts and expenditure but will need to be revised consequent upon the recommendations of the seventh Finance Commission. The Planning Commission is of the view that the overall resources position would not alter if the "non-Plan expenditures are not allowed to increase beyond the levels provided for." The point which needs to be noted is that the Planning Commission has provided, in its estimates, for subsidies on fertilisers, food, and exports on the basis of the existing policies and it has estimated total expenditure on this count as equivalent to Rs 6,765 crores in the five-year period. It has rightly pleaded for a drastic reduction in these subsidies keeping in view the broad principle that "subsidies should be admissible selectively to support low-income consumption and small-unit labour-intensive production". It has also recommended that those subsidies which do not serve these purposes, should be phased out. The question is whether requisite political will or courage is to be found in the government.

To the same category belongs the suggestion of the Planning Commission that the state governments should revise the irrigation rates to reduce their losses on this count. The total loss under this head is estimated to be around Rs 300 crores a year. The cheap irrigation facilities tend to subsidise the prosperous among the farmers i.e. those farmers who can afford to pay an economic price for this input. The National Development Council had passed a resolution two years ago urging the states to raise the irrigation rates so that the irrigation
systems were no longer a bu
the state budgets. The action
this regard has been far from a
again due to the absence of co
the part of the state governments
the states have so far failed to ra
the irrigation rates, the Planning C
sion has suggested the impositio
terment levies in order to recover
of irrigation projects. In the co
the current political situation in th
try, it is safe to conjecture that n
follow-up action on this proposal
to be taken. The Planning Com
has itself noted that even in thos
where the betterment levies were in
their collection is in heavy arr
symptom of the politicians' unwill
for taxing the farmer, for whatev
sons. The conclusion is irresistib
the state governments do not ha
heart to tax even the prosperous f
through increases in land revenue o
cultural income-tax—a suggestion
the Raj Committee had made a few
ago.

Projecting a historical growth r
the private corporate sector on the
of the stipulated expansion in the
nomy, the Planning Commission ha
mated savings of the order of Rs
crores in the five-year period under
rence. Nearly one-third of this an
is expected to accrue from retained p

Eastern Economist 30 Years Ago

APRIL 2, 1948

Provincial budgets are extremely uninteresting documents. Even normally, there is little departure in any of the budgets from the settled practices of accounting, which may fairly be described as Micawber-like. Consider the basic facts The nine provinces of the Indian Dominion have a current revenue, on 1948-49 figures, of a little less than Rs 248 crores. Somewhat more than Rs 80 crores of this sum is contributed by the Centre by way of grants and payments on account of income-tax and jute export duties—with the result that current provincial revenue raised in the provinces themselves, is less than Rs 168 crores per annum. For raising additional revenue, all the provinces without exception look to further assistance from the Centre. Individual claims have been pi
so extravagantly and in such uncoordi
fashion that they cancel out. There is distre
evidence in all the budgets of the lack of ar
India policy. The provinces have budgetec
more customs (jute export) revenue, than
are likely to get on the Central budget figu
the figures of the divisible pool of all the
vincial budgets together fail to tally. Thes
minor discrepancies. On the really major que
namely, what extra relief the provinces are
to get in the new Constitution and on
terms, both the provinces and the Centre a
vague as ever. The Government of
(Distribution of Revenues) Order, 1948, doe
look beyond the Ist of April 1949.

while the balance is computed to emerge hrough depreciation provisions. It clearly points to a steady expansion in the actiities of the private sector through funds enerated within this sector, though it is well-known fact that planning in this ountry has so far accorded a place of pride to the public sector. Even in the draft Plan, the investment pattern has een in favour of the public sector. Out f a total investment of Rs 105,990 crores, he share of the public sector has been ixed at Rs 59,130 crores while the balance t Rs 46,860 crores is earmarked for the rivate sector. In percentage terms, the llocation in favour of the public sector was 55 in the final fifth Plan period which has now been raised to 56 in the draft Plan or the next five years.

The role of foreign aid for financing conomic development in this country has een of a catalytic nature. Its size has een always relatively small—around five er cent of the total investment. The draft Plan for the next five years has furher downgraded the share of foreign asistance. The estimated net aid is around Rs 3,586 crores—less than four per cent of the total investment. In view of the ising foreign exchange reserves of this country, the Planning Commission has proposed withdrawals of the order of Rs 1,180 crores from this source. It has also recommended a relaxed import policy and "judicious" use of foreign exchange reserves. While the objective of increased self-reliance remains untampered, the Planning Commission has recommended a ban on the import of the non-essential items only.

The task of mobilising resources is seen by the Planning Commission as one designed to "actualise potential public saving into resources". In plain words, it boils down to raising the resources indicated above either through voluntary savings or through involuntary savings (another name for increased taxation). But the fact which needs to be stressed is that economic development in this country has never taken a straightline upward trend. There are frequent ups and downs which are very often unpredictable. The recurrence of bad spells in the economy is unavoidable, which is all the more the reason why the new capabilities which have been acquired in different sectors of the economy should be pressed into service to minimise the impact of adverse developments.

Agriculture in the plan

THE FOUR facets of agricultural planning rojected in the draft five-year Plan (1978-3) are the building up of additional food esources for the increased population in 983, the improvement in the quality of utrition available to the Indian people, he generation of additional employment or the unemployed and semi-employed ural poor and the improved availability f agricultural raw materials for agroased industries.

It has been estimated that the producion of foodgrains at around 124 million onnes in 1977-78, would be raised to etween 140 million tonnes and 144 milllion tonnes by 1982-83. The inputs ssumed in the plan suggest that this is realistic figure which would provide ome surpluses during the years of "beter than average weather conditions" for uffer stocks.

Perhaps the most significant input proposed is the additional irrigation potential of nearly 17 million hectares of land by 1982-83. With this, the gross irrigated area is expected of grow from 48.41 million hectares in 1977-78 to 63.41 million hectares in 1982-83. In fact it has been indicated that by 1987-88 it may be possible to reach 85 million hectares of irrigated area. This will raise the level of irrigated cultivation to 45 per cent from the expected 36 per cent in 1982-83 and 28 per cent at present.

An additional irrigation potential of nine million hectares is likely to materialise through minor irrigation programme, and the remaining eight million hectares through major and medium irrigation schemes. The plan proposes to avoid taking up too many major and medium projects and spreading small amounts thinly over their implementation every year. On the other hand, only those major and medium irrigation schemes will be taken up for which suitable financial requirements can be met over a reasonably short time and certain priorities can be observed. It has also been realised that inter-state river water disputes should not be allowed to come in the way of quick irrigation development.

The demand for fertilisers, another important input, has been estimated at 7.8 million tonnes by 1982-83. It implies an increase of 3.6 million tonnes over the level in 1977-78. The importance of organic manures has been stressed as these give a base for bacterial action and help in the recycling of phosphate and potash. The major thrust, therefore, would be to extend the rural programmes encouraging the use of organic wastes as fertilisers.

improvement in nutrition

The improvement in the level of nutrition has been proposed to be achieved through the increased output of milk, eggs and fish. The annual production of milk is to be raised to 35.5 million tonnes by 1982-83, as against the present estimated output of 27.5 million tonnes. A special programme of animal husbandry has been proposed on the lines recommended by the National Commission on Agriculture, which has suggested that the weaker sections of rural society could be expected to benefit by taking up this profession. Incorporated area development projects based on the system of producer cooperatives is likely to yield the required improvement in the methods of feeding, breeding and management of livestock. It is also proposed to organise the marketing of the produce through cooperatives on the lines adopted by dairy cooperatives in Gujarat.

In the field of poultry farming, the country has already recorded a 300 per cent increase in output from 2,500 million eggs in 1961 to nearly 10,000 million eggs in 1977. The present plan proposes to raise the level to 16,000, million by 1982-83, showing an annual rise of 10 per cent. Strains of high yielding poultry capable of producing 260 eggs a year have been evolved. Similarly, broiler strains capable of a live weight of 1,200 grams in eight weeks have also been bred for commercial exploitation. The industry has more or less become self-sufficient in respect of modern poultry equipment which has found export markets too.

Special attention is being paid to fisheries, which can improve the availability of high quality protein subsidiary foods at reasonable prices. It is proposed to organise inland fisheries based on family operations and low investment technology, in order to exploit the development potential of this occupation. Marine fishing operations by small fishermen in their country boats are to be encouraged. These programmes, incorporated with the modern operations by big entrepreneurs and business houses employing deep sea fishing vessels, are to be encouraged systematically. The target for subsidiary fish production in 1982-83 has been placed at 3.4 million tonnes as against 2.5 million tonnes at present.

pattern of investment

The pattern of investment in the field of agriculture has been planned in such a manner that it automatically involves unemployed and semi-employed rural people who live below the poverty line. The programme for animal husbandry has been specially directed to small peasants and landless labour, who are among the most disadvantaged part of the population. The development of animal husbandry and the involvement of low income groups in villages should, therefore, be taken up earnestly by those who have to execute this programme. The social forestry programme, which will be suitably oriented to give a fodder base to such labour families for animal husbandry, should also be seen as an essential part of this programme. The fisheries programme will involve backward sections of the population such as fishermen. Other programmes such as tassar, muga and lac rearing by the poorer sections of society will also help to generate employment and earnings for the rural poor. It is also proposed that the tertiary sector of marketing, processing and allied activities will absorb increasing number of the poor. The present government, however, will have to make a special effort to see that the programmes proposed in the plan get the required funds regularly and also the benefit goes to the people for whom these have been proposed. Only then these projects will have made a beginning in the direction of a realistic employment generation and poverty elimination strategy.

In the context of agricultural raw materials for agro-industries, the Plan proposes to give special attention to cash crops such as sugarcane, oilseeds, cotton and jute. Sugarcane output is to be raised from the present 157 million tonnes to nearly 188 million tonnes by 1982-83. Similarly the jute and mesta output, which is around 6.8 million bales kg each is to be increased to a level million bales by 1982-83. Cotton c of nearly 6.6 million bales of 1 each is to be raised to a level of 8 m to 9 million bales by 1982-83. Th duction of oilseeds is proposed raised from the present level of und million tonnes to 12.5 million tonn 1982-83. These targets appear reaso and are likely to be achieved partic in view of the fact that additional i tion potential is likely to benefit all crops more than wheat and other grains crops.

Large industries : supplemental rol

THE NEXT Plan having been drafted in line with the philosophy of the Janata government to provide a good deal more impetus than hitherto to the development of agriculture, power and infrastructure, it was but natural that the development of industries during the next five years should have been relegated to a comparatively secondary place. Even in the industrial sector, the stress has been placed on accelerating the growth of cottage, rural and small-scale industries. This fits into the framework of the Janata party's strategy for eradicating unemployment in the next 10 years. The large-scale sector is envisaged to play, by and large, a supplemental role to the overall new priorities of growth. Seen against this backdrop, the approximately 40.6 per cent increase in the public sector outlay during the five years to 1982-83 on the development of industries and minerals, excluding energy, over the fifth Plan (1974-79) allocation for this sector is not surprising in the least. The position does not get altered much even if note is taken of the likely private investment in this field as well as the addition of the outlay on power which can be attributable to the requirements of industrial and mineral production.

Much more significant than the proposed allocations for industrial development, however, is the basic strategy envisag be followed in this sphere. Three p deserve pertinent notice in this re The first is that an overwhelming emp has been placed on the fullest utilis of the existing capacities in consu intermediate and capital goods indus and further growth of capacity in t lines of manufacture is to be encoura after allowing for a planned gap betw the requirements and indigenous a ability which is to be filled up by imp Second, the future growth is prima to be in the decentralised sector. S as the large-scale industrial units are cerned, both in the public and the pri sectors, expansion is to be limited, ex in areas where it is warranted to sup the growth of the cottage, rural and s industries, agriculture, rural developn in general, power and defence. The l too is proposed to be attained to a l extent through rehabilitation and repl ment of old equipment; new units are be set up if the economies of scale assessed as substantial. Third, conc ed efforts are to be made to reduce duction costs through a combinatio measures—fiscal, monetary and thro injection of a limited degree of comp tion from imports.

On the face of it, the above stra can be commended in view of the eed to open up large avenues of employnent in the countryside. It will also yield he wholesome result of more efficient tilisation of the existing production capaities. The elimination of power shortages s well as transport bottlenecks should go ome way in improving industrial production in general. But the tight planning one in the case of large-scale units, paricularly in the basic and heavy industries ector, ought to have been avoided in the ong-term interests of the economy. The etting up of projects in this sector, ndeed, is a time-consuming process and ear-wholesale deferring of such new proects can create many a complication in he mid-eighties. A pertinent case is that f steel. Although the steel ministry ircles are confident of meeting the situaion through the planned programmes, llowing for about eight per cent increase n demand per annum, yet fears continue to e expressed in several circles whether the ecision to start work on a new integrated teelworks only towards the close of the ext five-year Plan period is judicious. This is despite the fact that some proviion has been made in the next Plan for a couple of shore-based pig iron units.

encouraging feature

It is, of course, encouraging to note hat in the interest of containing investments and avoiding stagnation of the xisting large-scale industrial units, their xpansion in many fields is not being rowned upon, unless this conflicts with he basic strategy of fostering production n the cottage, rural and small-scale sector. Equally wholesome is the proposal to render timely help in the form of modification of governmental policies and injection of finance and management to minimise the incidence of sickness in industry.

The development of cottage, rural and small-scale industries is to fostered through reservation of certain types of production only for them, provision of financial and other assistance to the extent possible, arranging of adequate supplies of the required inputs as well as the marketing of their products, setting up of district industries centres in each district to cater under one roof for all the requirements of small entrepreneurs, strenghening of the training programmes for improving their skills and capabilities, grant of fiscal concessions, etc. Special emphasis is to be placed on the development of such traditional rural industries and crafts as khadi and handlooms, sericulture, carpet-making and other handicrafts, leather and leather products and coir goods. The outlay for this development programme in the public sector Plan is to be raised from Rs 387.8 crores during the four years to 1977-78 to as much as Rs 1,410 crores in the next five years. This compares with a step-up of about Rs 2,088 crores to Rs 8,940 crores in the outlay on large and medium-scale industries in the public sector over the fifth Plan's provision. Most of the outlay on the large and medium-scale industries in the public sector—as much as Rs 5,600 crores out of the total Rs 8,940 crores—is to be for completing the ongoing schemes in the steel, fertilizers, non-ferrous metals, heavy engineering, petrochemicals, paper, cement, electronics, drugs and pharmaceuticals and iron ore industries. Investment in new projects is envisaged only to the tune of Rs 3,340 crores, primarily in the above sectors, barring electronics and iron ore.

The ambitious programme drawn up for the decentralised industrial sector, indeed, should provide fillip for its growth. But it is a moot point whether the expectations entertained will be fulfilled. A close vigil will have to be exercised over the supply of consumer products from this sector and the growth in demand, following the increase in purchasing power with the public as a result of increased employment, so that corrective measures at the supply end can be taken expeditiously, lest the proposed strategy fuels inflationary tendencies. It may not always be possible to arrange imports to fill the gaps between the requirements and supplies from domestic sources of a large number of products, as envisaged. Apart from financial constraints, there may be other bottlenecks to be encountered. The annual reviews under the rolling Plan concept are intended to act as a corrective lever to some extent. But it remains to be seen how far they will be effective, especially when upward revisions in targets would be required and the increased targets will have to be attained through setting up new projects.

Under the new priorities of development, the production of items of elitist consumption can be expected to suffer some setback. Generally, there should not be any great concern about it. But its implications on smuggling activities cannot be completely ignored. In the interest of price stability, while the emphasis being placed on reducing production costs is welcome, care has to be taken that the marketing arrangements envisaged to be made for the benefit of the small-scale, cottage and rural industries do not involve unduly high overheads as has been the recent experience in several areas. The stress on improving the technology of the decentralised sector is not misplaced for containing the production costs in this sector.

Joint sector in West Bengal

Dr Ashok Mitra, the Finance minister of West Bengal, indicated in his budget speech that the state government proposed to introduce some "drastic changes" in the concept of the joint sector. He said that these were necessary because "the joint sector has been a mere camouflage for some private parties to expand their operations with the help of public funds: the resources have been provided by the government while the management and control have been retained by the private sector". The industrial policy statement, adopted by the government of West Bengal in January this year, had also criticised the working of the joint sector and had stressed the need to modify it. But the government should proceed cautiously in implementing this proposal. Some joint sector schemes have commenced production while others are expected to do so in the near future. New projects of this kind are also contemplated in Haldia where the petro-chemical complex is expected to give scope for several industries. Therefore, while the government may take the necessary steps to make the joint sector an effective instrument for industrial growth, it should refrain from measures which may deter the private sector partners from going ahead with the existing projects and discourage others from entering this field.

The West Bengal Industrial Development Corporation has sponsored a dozen projects in the joint sector for the manufacture of tyres and tubes, cement, scooters, tungsten filament, alloy steel, newsprint, television sets, watches, maleic anhydride, cotton yarn, and some electronic goods. Many of these schemes involve huge capital cost. The estimate for the tyre and tube projects is Rs 30 crores, cement Rs 20 crores, alloy steel Rs 45 crores and newsprint Rs 70 crores. The joint sector concept was introduced precisely because of the need for large resources which neither the government nor the entrepreneur was able or willing to invest. It is not correct to say, as Dr Ashok Mitra has done, that the resources for these projects have been provided only by the government. The private sector has also contributed its share of capital. Nor is it right to suggest that the private sector has retained the management and control. The terms and conditions on which the joint sector projects have been formed have not been disclosed to the public. However, if the government has not exercised effective control over their working, it has been due to inertia or indifference.

bureaucratic hurdles

It is worth noting that in the case of joint sector schemes, the private sector partner withdrew when it became clear that the prospects were not encouraging due to adverse market conditions or bureaucratic procedures in implementing them. For example, the tenth annual report of the West Bengal Industrial Development Corporation for 1976-77 says about the alloy steel project as follows: "The technical collaboration agreement with M/s Edelstahlwerke Buderus A.G. which was submitted to the government of India in November, 1975 was approved by the government only recently in August, 1977. Because of the delay, the foreign technical collaborators did not show any interest in extending the validity of the agreement which expired on March 1, 1977. Moreover, due to uncertainty over the question of approval by the government of India and the unwillingness of the technical collaborators to extend the validity of the agreement, the private sector partner M/s Texmaco Ltd., has also withdrawn from the project. The position has been intimated to the government of India".

About the spinning mills proposed in the joint sector, the report says: "Licenses for five spinning mills with a capacity of 25,000 spindles each were obtained in March 1974. It was difficult to implement licences for spinning mills due to the unsatisfactory situation prevailing in the textile industry in the country, high raw material costs and increase in railway freight for indigenous raw cotton transported from the western region of the country. In view of this, it has been decided to transfer one of the licences to a new company in the private sector which has been set up to manufacture polyester blended yarn and industrial cotton. No further extension of the remaining four licences has been sought".

newsprint project

As regards the newsprint project which has been estimated to cost Rs 80 crores, practically no progress has been made. This was to be set up with the assistance of the Hindustan Paper Corporation, a government of India undertaking, but the state government has not yet completed its studies about the availability and cost of raw materials, transport, and other facilities required for this project.

In this background, the government of West Bengal should examine carefully on what lines the joint sector concept is to be modified in keeping with its objectives. The government has made it clear that it does not like the large houses and the multinational corporations to continue to dominate the economy. In fact, Dr Ashok Mitra has said that "they cannot be relied upon to carry out the essential tasks of modernisation and expansion" and that "the interests of the toiling masses in West Bengal are unlikely to be served by them in future". The Finance minister has also hinted that stringent conditions are going to be imposed on these companies for reinvesting their profits in West Bengal itself. In these circumstances, how many of them
will show enthusiasm to work as pa
with the government in the joint se

The performance of the public
units in West Bengal has been un
factory in many respects. Most of
continue to incur huge losses an
saddled with substantial surplus la
Dr Mitra has called for rationali
in the operations of these enterp
He has said that it is proposed to
tute "major changes, however un
table these changes might prov
interested quarters". But it is not
to be an easy task for the governme
introduce the necessary reforms be
of financial constraints, administ
difficulties, and above all the pro
of getting labour's cooperation. In
last nine months since the pr
ministry came into office, it has not
able to improve the discipline in
power plants of the state elect
board which continue to operate
chaotic manner mainly because of
inter-union rivalry.

The state government has expresse
preference for the medium and s
scale industries which are labour in
sive. These have great potential
growth. But at the same time it wi
unwise to discourage the large firms
multinationals merely on ideological
siderations. The government has
nounced its intention to hold a sem
on the problems of industrial deve
ment some time in April in coopera
with business organisations.
seminar should carefully consider
implications of the state governm
industrial policy and suggest on
lines it needs modification to accele
industial development and diversificat

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CAPITAL'S CORRIDORS

R. C. Ummat

Coking coal imports • Steel production target • Boosting exports • Orissa bauxite exploitation • Sub-marine pipeline • Repeal of MISA

WITH THE Planning Commission having proposed in the next Plan's documents a planned gap between the demand for and supply of some items to be met by mports through the use of the accumulated foreign exchange reserves and also having underlined the need for conserving scarce non-renewable resources, the plea of the ministry of Steel and Mines for the import of some limited quantities of coking coal is likely to be accepted by the cabinet in the near future. This will be despite the argument of the coal industry circles that coking coal imports would virtually amount to subsidising exports of steel. This controversy was referred to in this column last month.

earlier estimates

The imports of coking coal are expected to be built up to the extent of one million tonnes per annum by 1982-83 and three million tonnes per year by the close of 1987-88. This order of imports, it is felt, will help in lengthening the life of our known high quality coal reserves to about 66 years at the projected 1987-88 production level of 45 million tonnes of coking and blendable coal. On the basis of meeting the full requirements of coking coal from indigenous sources, it was earlier estimated that our high quality coal reserves would last not more than about 40 years.

Efforts, of course, are being augmented to discover more indigenous reserves of high quality coal and also to make the extraction of this coal as efficient as possible through the restructuring of the coking coal mines.

* *

The next year's target for the manufacture of ingot steel by the six integrated steelworks in the country, namely Rourkela, Bhilai, Durgapur, Jamshedpur, Burnpur and Bokaro, has been set at 9.965 million tonnes. This is higher by 1.5 million tonnes or 17.8 per cent compared to the likely output during the current financial year. All the plants, except the one at Jamshedpur, will contribute to additional output. The bulk of the increased production, however, will come from the Bokaro project.

Following are the 1978-79 output targets set for the individual plants as compared to the estimated production during 1977-78:

('000 tonnes)

Plant	1977-78 Estimated production	1978-79 Target of production
Bhilai	2,378	2,400
Durgapur	1,087	1,250
Rourkela	1,415	1,550
Bokaro	966	2,050
TISCO	1,969	1,950
IISCO	647	765
Total	8,462	2,965

The output at Bokaro is expected to show a marked increase as a result of its first stage of 1.7 million tonnes ingots capacity having been completed recently and the commissioning in February of blast furnace No. 3. In the case of the other plants, additional production, it is expected, will be available as a result of improved utilisation of installed capacities.

In the case of Jamshedpur works, the next year's target, it may be noted, has been set marginally lower than the estimated production this year. This has been done presumably in view of the exceptionally good performance of this unit this year, which may not be fully maintained next year.

Apart from Bokaro, the Durgapur project is anticipated to show a marked improvement in its production.

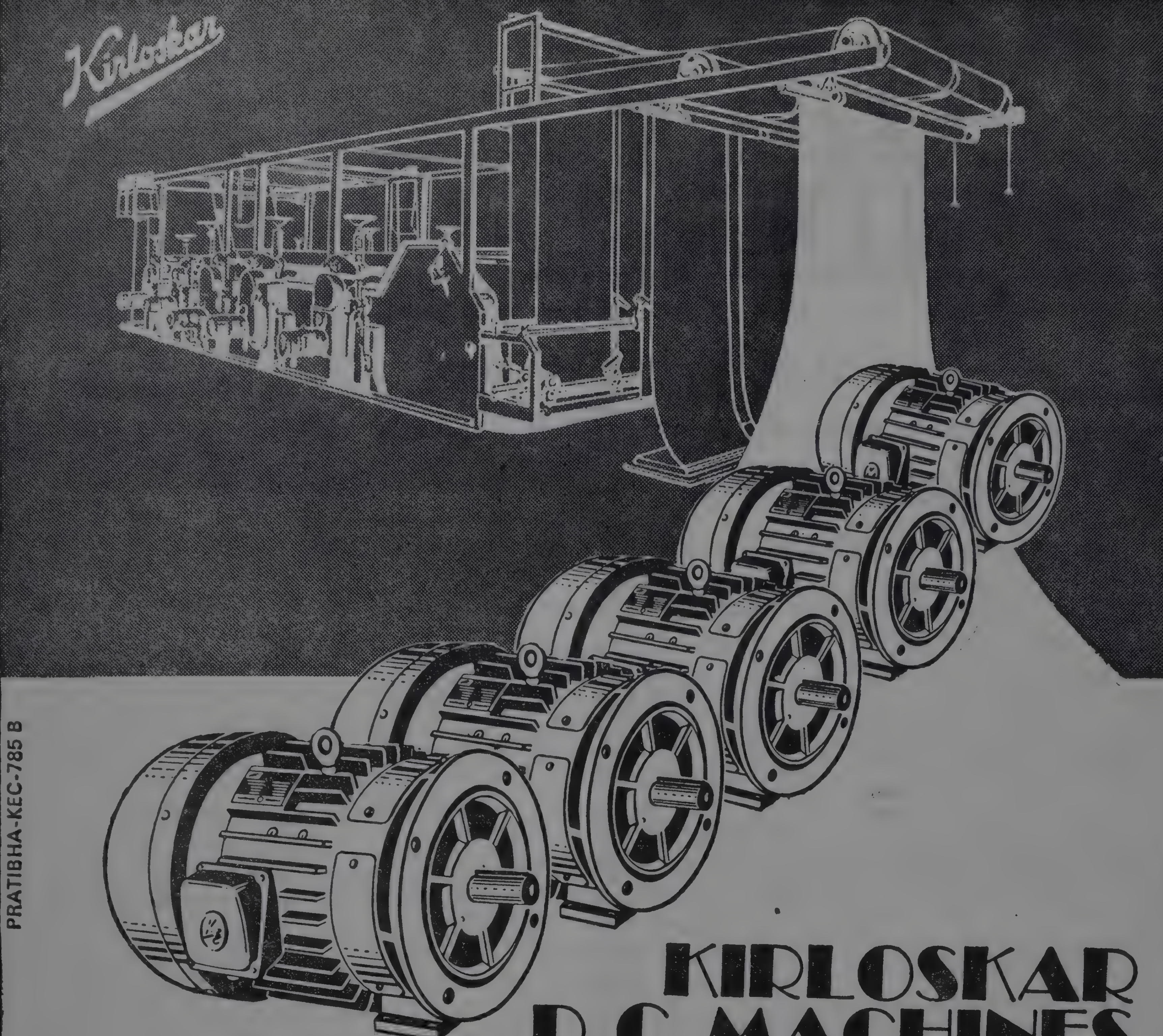
* *

The railways may again start providing some freight concessions for the movement of export cargoes. Such concessions were available in a significant measure till about three years ago, but had to be curtailed and in many cases completely withdrawn in view of the heavy deficits which the railways incurred for several years upto last year.

The reconsideration of freight concessions for exports is proposed to be done in view of the need for stepping up some exports which are being priced out in the world market and owing to the sizeable surplus that is currently accruing in the railway budget. It, however, remains to be seen whether the concessions to be provided will cover a larger number of items having export potential and will be substantial. There are contending claims for the development of railways, particularly for the laying of new lines in the backward areas so that their economic development can be fostered.

The above is one of the proposals to bolster the export earnings of the country, the rate of growth of which has tended to decelerate this year for various reasons, the prominent among them being the growing trend towards protectionism in the developed countries, the continuing recessionary tendencies in the world market and the deliberate policy of the government of India to regulate or even stop exports of essential mass consumption items.

The growth in exports this year, it is estimated, may be just around nine per cent, as against approximately 25 per cent



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last year. The exports during the nine months to December 31, 1977, aggregated to Rs 3,952.44 crores, as against Rs 3,637.12 crores during the corresponding period of the previous year, registering a rise of 8.7 per cent. The export trends since December are said to have been quite encouraging.

Apart from the freight concession being contemplated to step up exports, another important step being envisaged is the provision of special incentives to encourage exports of the products of the small-scale industrial sector. The minimum export performance limits for the grant of export house certificates have been set lower in the case of small-scale manufacturers and consortia of small-scale units. This is being done not only to help export earnings but also with a view to increasing employment opportunities in the countryside, correcting regional imbalances in growth and promoting a diversified economic structure. Export houses which export products manufactured by the small-scale sector are to be given greater weightage for their exports of these products as compared to those of other products. The value of exports made by an export house in respect of industries in the small-scale sector is to be taken as double the actual value for the purpose of counting the exports for the grant of export house certificate, issue of initial and supplementary licences to export houses, for the discharge of export obligation imposed on them and for determining the ceiling for acquisition of REP licences by export houses.

The merchant exporters who have no factories of their own but who export products made by the small and cottage industries are also being allowed to import any raw materials and components required for the manufacture of the product exported. It is open to them to use the imported materials for further export production on their own account or to dispose of the same to actual users from whom they procure manufactured goods for export.

* *

The formal agreement between Bharat Aluminium Company—a government of India undertaking—and M/s Aluminium Pechiney of France for the preparation of a feasibility report for an export-oriented alumina plant to manufacture 600,000/800,000 tonnes of alumina per annum and for setting up an aluminium smelter with an annual capacity of 150,000/180,000 tonnes of primary metal, based on the bauxite deposits in the Pottangi/Panchpatmali area in the state of Orissa, is expected to be signed in the near future. The report is to be made available by the French firm in about 12 months from the date of the agreement coming into force.

The French company will be paid for this task approximately Rs 1.98 crores (foreign exchange component Rs 1.92 crores), free of Indian income-tax. Work on the preparation of the study is stated to have already been taken on hand by the French undertaking, as a sequel to Bharat Aluminium Company having been granted a letter of intent for setting up the two units and an informal understanding having been reached on the subject between the two companies a few weeks ago.

* *

The work on the laying of two submarine trunk pipelines for transporting crude oil and gas from the Bombay High and North Bassein fields to on-shore at Uran as well as on the transfer lines from Uran to Trombay is expected to be completed by the end of May. It was started in November last and is expected to cost nearly Rs 218 crores. The crude oil pipeline has already been laid over a distance of nearly 180 kms and the gas pipeline over a distance of approximately 170 kms. The total length of each of the pipelines is to be 229 kms—nearly 205 kms in the sea and 25 kms on-shore. The oil pipeline will have a diameter of 75 cms and the gas pipeline 65 cms.

A part of the cost of the laying of submarine pipelines over a distance of 205 kms each is being met out of the approximately Rs 134 crores loan obtained from the World Bank.

The laying of the two pipelines will mark the completion of the first stage of the Phase III programme of the Bombay High oilfield. The second phase of this programme involves construction of two well platforms, two processing platforms and a gas fractination plant. It is envisaged to be completed by the end of March, 1980. The total outlay on the entire phase III programme is expected to be around Rs 534 crores.

With the completion of the phase III programme, the annual production potential of the two off-shore oilfields will go up to seven million tonnes per annum—six million tonnes from Bombay High and one million tonnes from North Bassein. The daily output of gas from these areas is anticipated to go up to around 1,200 tonnes during the next financial year, 2,100 tonnes in 1979-80 and 2,700 tonnes in 1980-81.

* *

The announcement made by the minister of Home Affairs in the Lok Sabha last week that the government had decided to withdraw the Code of Criminal Procedure (Amendment) Bill, 1977, which was introduced in the House on December 23, 1977, and to bring forth before the House a simple bill just to repeal the Maintenance of Internal Security Act of 1971, speaks volumes of the responsiveness of the Janata government to the popular urges. The bill which is being withdrawn sought to repeal the obnoxious MISA, but at the same time envisaged to introduce in the Code of Criminal Procedure a provision for preventive detention.

Although the proposed amendment to the Criminal Procedure Code contained adequate safeguards against misuse by the government, it had come under scathing attack not only from the opposition benches but also from several members of the Janata party and its allies, particularly the CPI(M).

As a result of the withdrawal of the Code of Criminal Procedure (Amendment) Bill, 1977, the country will be shedding for the first time during the past nearly 35 years a legislation for preventive detention, despite the fact that the law and order situation has tended to somewhat deteriorate in the recent months. This undoubtedly will cast a heavy responsibility, particularly on the state governments, which will have to depend upon the normal laws for tackling the menace caused by anti-social elements.

With the above decision of the government, civil liberties can be said to have been fully restored to Indian nationals.

How Bombay looks at Janata one year after electio

Ranga

In spite of getting a higher percentage of votes in recent Maharashtra elections, squabbles in the Janata party, chased by the ghosts of merged units, have not been helpful in building a good image of the party. The author warns that if the performance of the government on the price front and party cohesion does not improve, the goodwill enjoyed by the party is bound to disappear.

RECENT ELECTIONS to Maharashtra state assembly have demonstrated that India's financial capital, Bombay, still remains faithful to the Janata party. Not only did the party capture all the seats in Greater Bombay, but also got a slightly higher percentage of votes than in March, 1977, general election. This pro-Janata sympathy cuts across economic and social barriers.

There is, no doubt, disillusionment with Janata on a number of scores. To mention only a few, price rise has not been controlled as promised. Retail prices, with which most people are concerned, still rule high for a number of day-to-day items, such as vegetables. Party leaders who visit Bombay to woo its politically active population speak at times at cross purposes, confusing both followers and observers. Contrary views taken by Mr Morarji Desai and Mr George Fernandes on Maharashtra government employees' strike are a classic instance of this. Squabbles in the party, still chased by the ghosts of merged units, have not built a good image with the public. Local leadership is weak. Above all, things are not moving, and nothing demonstrably good is happening.

As against these things, pro-Janata sentiment is strengthened by the restoration of freedoms which Bombayites—a city of groups, organisations and meetings—cherish. The decision on restoration of bonus has certainly consolidated the Janata strength among white and blue collar workers. Though the price level has not come down all round, for selected items like wheat, rice and oil, there are no longer odious queues. The Bombayite, who queues even for a turn on the funeral pyre, is not afraid of queues, but appreciates their absence very much, because for him time is money. The shocking disclosures before the Shah Commission on top of known rigours of the emergency have not won popularity for Mrs Gandhi and her colleagues. This negative factor also helps Janata.

In business and industrial circles, the picture is different. Among industrialists, there are some who mourn the disappearance of "discipline" of the emergency period which gave them peace of mind on the labour front. The latest central budget, with no cuts in taxation as was expected, increase in compulsory deposit and withdrawal of earlier facilities like tax exemption for capital gains deposits in banks, has spread a feeling of uneasiness even among industrialists disposed to be friendly with the Janata party.

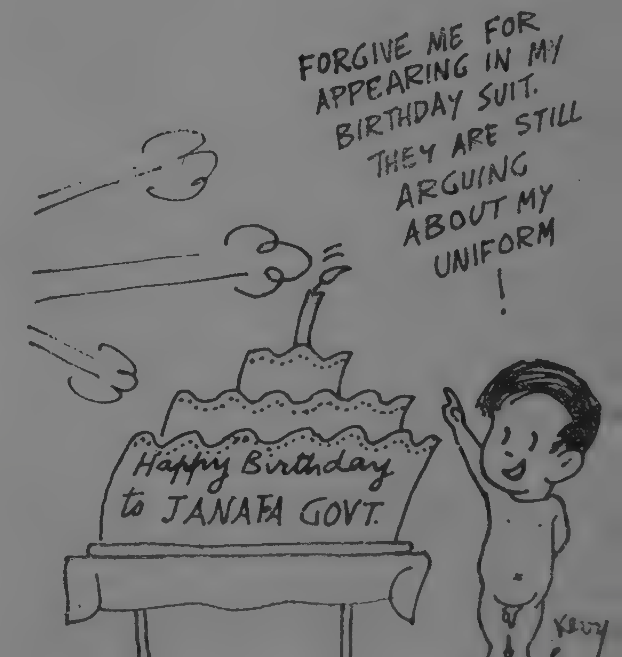
POINT OF VIEW

Lack of firmness in industrial policy has given to the centre an appearance of a government of drift and confusion. The Coca Cola episode and now the reported notice to Hindustan Lever and WIMCO to close down production in three years has given the impression to the industrial community that this government does not deal with general cases, but picks up on individual companies.

It is known that Janata leaders collected funds in cash during recent elections. Industrialists who are sore over mass issue of notices under Section 293-
the Companies Act to companies
gave advertisements to Congress
souvenir in 1977 general election
reason to feel distressed at this.

The trading community, how
appears to take a different view. It
ported Janata vigorously, though di
etly, during 1977 elections. It is h
at the trend of relaxation of controls
liberalisation of trade policies. The
policy on sale of government gold
further endeared Janata governmen
this section of the populace. "Janat
practical". "Only real traders will su
and prosper now". "Scarcities which h
ed blackmarketeers and fly-by-night op
tions are a Congress legacy of the p
That is fast disappearing." These
but same reactions of traders tow
the Janata.

That peculiar Bombay species wh
tilts the balance of public opinion—
middle class spread across Bombay's f
growing suburbs in tiny flats—rema
loyal to Janata. How long this good
will last is difficult to say. If the perfor
ance of the Janata government on the p
front and party cohesion does not impr
in days to come, the enormous good
is bound to disappear. At best, it can
said that the probation period for Jan
has been extended by another year.


FORGIVE ME FOR APPEARING IN MY BIRTHDAY SUIT. THEY ARE STILL ARGUING ABOUT MY UNIFORM !
Happy Birthday to JANATA GOVT.

A bold strategy for market loans

Sagittarius

The conditions in money market, compared to last year, are extermely favourable. The author sees no reason why an amount larger than Rs 185 crores collected last year, under less favourable circumstances, could not be raised this year.

THE STRATEGY adopted by the Finance ministry in respect of reissues of earlier loans in the last quarter of the current financial year and the maintenance of exceptionally high cash balances with the Reserve Bank even at a time when disbursements are usually heavy, has given rise to the query in money market circles whether the deficit in the revised estimates for the 1977-78 financial year has not been exaggerated. On the analogy of 1976-77, there should have been reissues of earlier central government loans, as already stated, for Rs 250-300 crores in February-March before the close of accounts for 1977-78. The conditions in the money market at this time last year were not quite propitious as banks were borrowing heavily from the Reserve Bank for meeting seasonal commitments. If an amount of Rs 185 crores could be collected through reissues under less favourable circumstances, there is no reason why a larger amount could not be raised in an extremely favourable situation.

large investible funds

The Life Insurance Corporation and provident funds have large investible funds while banks have even deployed the resources in treasury bills. The Finance ministry has been content merely with the carrying out of a funding operation. In February this year, ad hoc securities for Rs 100 crores were replaced by terminable loans having a similar value. The issues involved were 6 per cent loan 1993, 6 per cent loan 1994, 6¼ per cent loan 1998 and 6½ per cent loan 2,005 for Rs 25 crores each. The net borrowing for Rs 1,183 crores in five tranches no doubt constituted an all time record and exceeded the budget estimate by Rs 183 crores. But the capacity of the gilt edged market has considerably expanded and the central and state governments and public bodies can safely proceed on the assumption that even Rs 2,750 crores can be raised, after repaying or funding maturing loans and bonds.

The borrowing programme of the central government for 1978-79 aims at mobilising a gross amount of Rs 1,830 crores. There are two maturing loans, 4¾ per cent loan 1978 outstanding to the extent of Rs 132.86 crores falling due for redemption on July 1, 1978 and 5¼ per cent loan 1978 outstanding for Rs 47.23 crores and due for repayment on November 22, 1978. The floatation of new loan will be normally thought of when the maturing loans have to be repaid. On this basis new loans for public subscription will have to be issued only on July 1. Even last year a different procedure had to be adopted as there were reissues of two loans for Rs 100 crores on May 25, 1977.

easy money market

The first regular floatation of loan came about in June as the money market had considerably eased even though there were no maturing loans. Before the end of the first quarter as much as Rs 541.14 crores had been raised through reissues and new loans working out an average of over Rs 180 crores every month. In the second quarter there were reissues of two loans for Rs 100 crores. In the third quarter, a second regular issue of loans was made and a gross amount of Rs 495.64 crores was raised. In October and November two maturing loans for Rs 129.25 crores were redeemed or converted. In December there were again reissues for Rs 175 crores in respect of three earlier loans. The total amount secured in the third quarter was thus 670.64 crores. Allowing for the maturing loans, the net amount secured was Rs 541.39 crores or again a monthly average of a little over Rs 180 crores.

As stated earlier, there has been surprisingly enough no reissues of earlier loans or floatation of new loans for public subscriptions in the last quarter 1977-78. The gross amount mobilised in nine months was thus Rs 1311.78 crores against the budget estimate of Rs 1129 crores. The net amount borrowed exceeded comfortably the target of Rs 999.79 crores, at Rs 1182.53 crores. The whole effort was confined to nine months of 1977-78 and the monthly average for gross borrowing worked out to Rs 146 crores. The average would have been much higher but for the smaller amount raised in the second quarter when state loans were also issued.

It has now to be decided how the borrowing programme for 1978-79 should be suitably staggered and the target for gross borrowing substantially exceeded. An analysis of the data relating to scheduled commercial banks for the period April 1, 1977 to March 3, 1978 shows that the liquidity of the banking system has improved considerably and that the lending institutions have even a problem of finding remunerative use for fresh deposits. These increased impressively in the period under reference by Rs 3777 crores as compared to Rs 3001 crores in the corresponding period in 1976-77. The expansion of credit was for only Rs 1292 crores, food credit increasing by only Rs 3 crores. In the previous period total advances were higher by Rs 2117 crores, the share of food credit being much larger at Rs 703 crores. Even so, non-food credit rose by only Rs 1289 crores against Rs 1414 crores.

decline in borrowing

In the absense of a large demand for funds for various purposes, there had necessarily to be a decline in borrowings by Rs 704 crores as compared to an increase of Rs 185 crores. Even with an increase in cash balances by Rs 477 crores against Rs 792 crores, investments rose spectacularly by Rs 1303 crores as compared to Rs 612 crores. The additions to the portfolio of approved securities also were larger at Rs 366 crores against Rs 268 crores. On the basis of these developments, it can be safely expected that the growth in deposits in 1978-79 will be Rs 4500 crores. The demand for funds for various purposes may not be more than Rs 1500 crores. Even assuming that this will be higher at Rs 1750 crores, on account of large expansion of procurement credit and the locking up of funds in accumulated sugar stocks, the scheduled commercial banks will be in a position to invest about Rs 2150 crores in government securities and bonds even after reinvesting maturing loans. It can therefore be expected that the scheduled commercial banks alone will be in a position to invest in central government securities as much as Rs 1,500 crores. It will not be unreasonable to presume that the Life Insurance Corporation and provident funds also will have to deploy about Rs 500 crores in new central loans besides extending suppprt to the borrowing programme of the state governments and public bodies.

The gross borrowings can therefore be much higher at Rs 2,180 crores taking into account the outstanding amount of maturing loans. In view of the regular accretions to working funds and the anxiety of banks to prevent an unnecessary erosion of profitability, particularly in the context of lower lending rates, the Reserve Bank will have to make available suitable parcels of new loans regularly. The average monthly borrowing will have to be high in the first, third and fourth quarters as there will be need for raising state loans in the second quarter. The maturing loans fall due for repayments on September 12, 1978.

In the light of this reasoning, gross borrowing in the first four months can be even Rs 733 crores or an average of Rs 184 crores. In view of the fact that the needs of institutional investors have not been adequately met in February and March, there will have to be reissues of earlier loans for Rs 200 crores even in April. It may be said that the prospect of sizable expansion of food credit for a net amount of Rs 500 crores in April-July may not leave the required surpluses for investment in new loans after complying with the directives of the Reserve Bank in regard to the impounding of a portion of incremental deposits and the maintenance of a higher cash reserve ratio. However, the growth in deposits is likely to be Rs 1500-1600 crores and even allowing for a net increase in aggregate credit by Rs 600 crores and the immobilisation of funds for Rs 250 crores in pursuance of the directives of the Reserve Bank, there will be an investible surplus of Rs 650-750 crores. The centre can therefore secure a net amount of Rs 600 crores in April-July even while permitting the financial corporations and state electricity boards to raise their requirements.

It has been complained that the open market sales of central government securities by the Reserve Bank are being effected in a highly spasmodic manner and the
managements of provident funds pa
cularly have been finding it difficult
invest concurrently fresh additions
assets in high yielding long dated secu
ties. It, therefore will have to be examin
whether there can be tap sales of lo
medium and long date securities for bei
exclusively absorbed by provident fun
The scheduled commercial banks t
should not experience similar difficult
and loans for subscriptions by public
three occasions will be generally welcom
While the techniques of reissues, regu
floatations and tap sales will have to
suitably evolved, there will be no justi
cation for lowering interest rates on n
loans on the plea of a reduction in depo
and lending rates. The Reserve Bank c
of course suitably elongate the durati
of new issues for effecting a margin
reduction in redemption yields, if need b
The main objectives should be to fe
the gilt edged market regularly and secu
the maximum amount through new loa
without straining at the same time t
banking system. If the Finance minist
can make a spectacular success of i
borrowing programme and tax revenu
also happened to be buyoant, with
higher level of economic activity, the ov
all deficit can be considerably minimise
especially as sizable amounts can also b
realised through gold sales.

Concept of "competition" in MRTP Act

F. L. Berarwalla

A committee under Mr Justice Sachar is inquiring in all the economic aspects of the Monopolies and Restrictive Trade Practices Act to recommend simplification of this enactment. The author who is an advocate of the Supreme Court of India tries to bring out the complicated structure of the MRTP Act and feels that even if our policy objectives may be similar to those of Britain and the USA, it is not likely that exactly the same pattern of competition may be feasible for this country.

"BOTH MONOPOLISTIC and competitive forces combine in the determination of most prices," says E.H. Chamberlin. The general objective of legislation to control monopoly and restrictive trade practices is to maintain and, in some cases, promote and restore competition in various sectors of the economy. The preamble of the MRTP Act, 1969, states: "An Act to provide that the operation of the economic system does not result in the concentration of economic power to the common detriment, for the control of monopolies, for the prohibition of monopolistic and restrictive trade practices and for matters connected therewith or incidental thereto".

The technical problems with which the legislators are faced on curbing the monopolies and restrictive trade practices is how to convert collusion or collaboration into competition. However, the term, "competition" has to be used carefully as it does not mean some form of idealised competition nor can it be identified with particular market structures or systems
of price determination. Competition a
referred to in the MRTP Act indicate
behaviour as distinct from analysis, tha
is the ordinary dictionary meaning c
'rivalry in the market'. Regardless of th
precise background of industrial c
market structure, legislators wish to se
companies making decisions independent-
ly of one another, as rivals, and withou
reference to one another's actions. Thi
idea can be referred to as 'free competi-
tion'. The term 'free competition' itsel
camouflages important value judgment
on the necessity and desirability of com-
petition. Independence is a matter o
degree and only rarely is an undertakin
completely independent of the behaviou
of other undertakings in the sense tha
decisions are made independently. Mos
firms are forced to have regard fo

another's policies in respect of price, quality, variety, advertisement, selling techniques etc. and they are normally forced to revise initial decisions and policies on these matters in the light of actions taken by competitors. Larger firms enjoy stronger independence because of a relatively large share of the market, it recognises that its own price, output and commodity decisions will affect significantly the sales and revenue, of competitors and that they can be expected to react with counter adjustments.

dictating price

The Monopolies Inquiry Commission, 1965, (MIC) found that the product-wise concentration brings out prominently the fact that in a larger number of industries, a single undertaking is the only supplier or at least has to its credit a very large portion of the market as compared with its competitors. Such an undertaking has the power to dictate the price of the commodity or services it supplies and to regulate its volume of production in such a manner as to maximise its profits. This power is what is generally understood by the words "monopoly power". Though in the strict stymological sense of the word, and in strict economic theory, "monopoly" exists when there is only one single supplier, there is no reason why an enterprise enjoying the power to dictate the price and thus to control the market even though it is not the single supplier should not be considered a monopoly.

What happens in such cases is that the price decided upon by the dominant producer (or distributor) is followed by others who are in a position to compete. This price leadership phenomenon is in essence a manifestation of the price leader's power to dictate the price in the market. "We think it proper therefore to include with the word 'monopoly' not only the single supplier in a market but also the one dominant supplier who has the power to dictate the price in the market".

The MIC further observed that it cannot be overlooked when a single seller dominates the market and a few independent sellers together enjoy a dominating position. In the former case, monopoly power is inevitably present; in the latter it may or may not be present. The effect on the market of a few dominant sellers has been widely discussed by economists, specially in recent years; but their opinions by no means are the same. Without trying to resolve the controversy, the commission felt that it was sufficient for its purpose to notice that it is generally agreed that when a few big sellers dominate the market there will ordinarily be a high probability of their coming to some kind of agreement or understanding—whether formal or not—about the price and output, by which a monopolistic power is shared between themselves. Even in the absence of such agreement or understanding it frequently happened that each has a healthy fear of the other big producers or distributors and ultimately a policy of live and let live comes into operation.

probable effects

Some economists point out that when a few large sellers dominate the market each of them is able to calculate fairly and accurately the probable effect on the market of his action in increasing or decreasing his output. So, it is said, that each will try to regulate the output in such a way that the marginal costs remain well below the price. Each such seller will also be well aware that any attempt of his to reduce the price is likely to be met immediately by similar action by his competitors. The matter is succinctly put by Stocking in *Monopoly and Free Enterprise* at page 90 thus: "In markets where sellers are few, each is trying to determine his most profitable volume of output as would a monopolist consider the probable effects of various possible rates of production not only on costs but also on prices. Indeed, each seller will ordinarily decide on the price at which he will sell and adjust his output accordingly just as a monopolist does. Each monopolist, however, in determining his price must consider not merely his own cost-price relationship but also how his rivals will react to his prices. Anyone of a few sellers, if fully informed and perfectly rational when selling a completely standardised product will realise that if he reduces his price his rivals will meet the lower price promptly."

As far as curbing of restrictive practices is concerned, the MRTP Act is modelled on British pattern, and it may be found that rather than maintaining competition it may succeed only in stemming the tide of encroaching monopolies. The British legislation on monopoly and restrictive practices is mainly of the variety intended to maintain, and perhaps restore competition. The legislation is the result mainly of the government's conviction of the value of competitive processes.

The president of the Board of Trade while moving the second reading of the 1956 Bill, maintained: "The background of any Bill on this subject is a free enterprise society and the purpose of any such Bill must be to secure that the virtues of free enterprise—initiative, adaptability and risk-taking—are not throttled by restrictions which industry imposes on itself. Agreements between traders are tempting ways of avoiding competition..." No legislature can expect to alter the facts of economic life in order to compel rivals to behave as though the different degrees of market interdependence do not exist. On the other hand, legislation can significantly influence the pattern of behaviour, in all parts of the competitive (or monopolistic) spectrum in one sense. The appropriate legislative measures can forbid or control express agreements and overt arrangements or understandings. In doing so the critical step from mere emulation or parallelism of policy to outright collusion or collaboration is prevented or inhibited.

the US approach

The American approach is that it may be possible to prohibit completely monopoly and restriction of competition and make them subject to the enforcement by the courts under criminal as well as civil law. Its formulation is to be found mainly in three groups of Acts. The Sherman Act, 1890, creates offences of a general character against monopolies and monopolisations and against restraints of trade (restrictive practices). The Clayton Act, 1914, is aimed more specifically at discriminatory practices, at exclusive dealing, mergers and interlocking directorates where these practices are such as 'substantially to lessen competition'. In 1950 the mergers provision was strengthened

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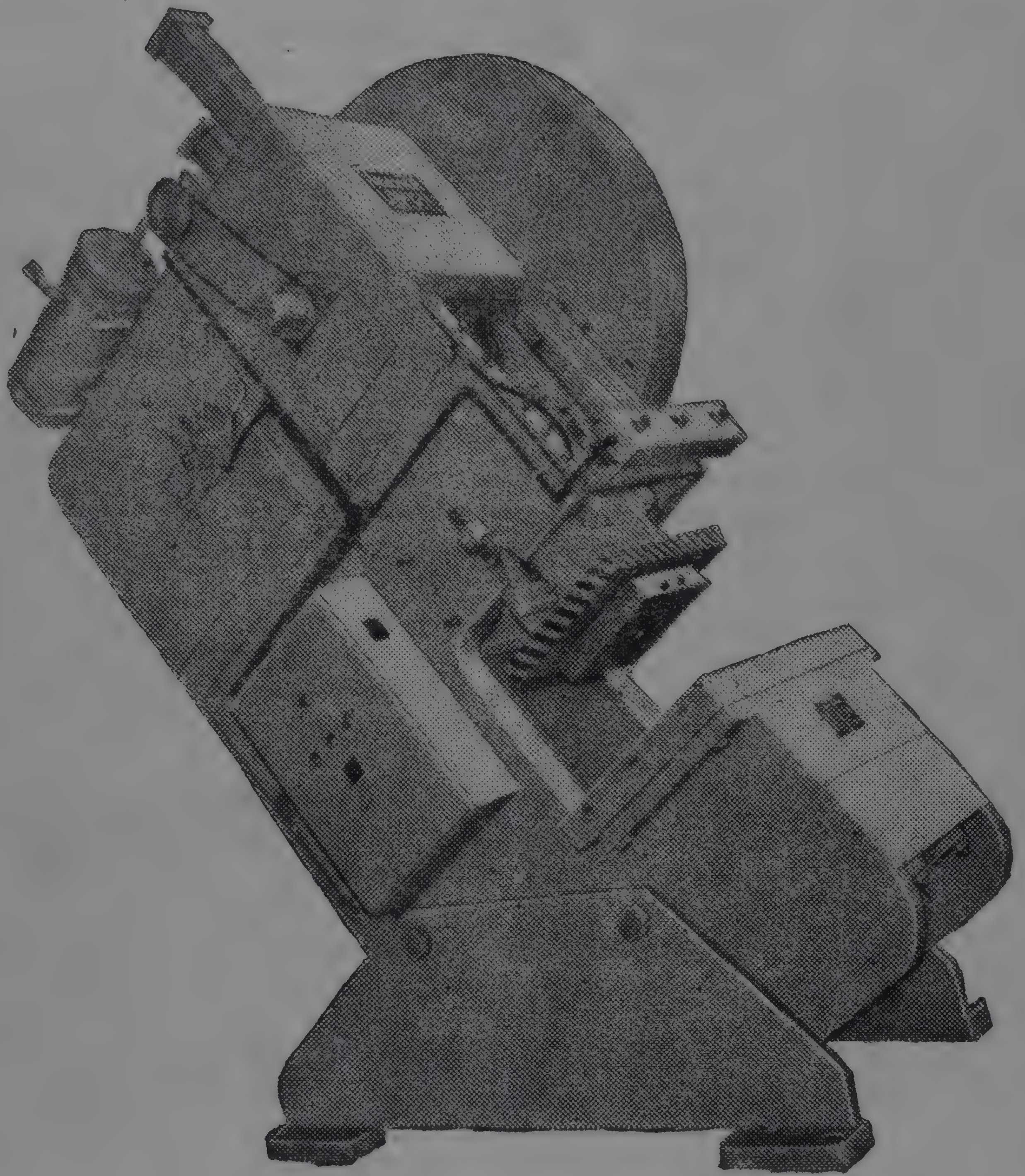

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by the amending Cellar Act. The Federal Trade Commissions Act, 1914, forbids all 'unfair methods of competition'. The main effects of the code are, first, to make all restrictive practices, such as price fixing, exclusive dealing, loyalty rebates, *per se* offences; that is, once established, they are subject to criminal penalties regardless of any associated economic advantage.

Second, to make the task of any large firm difficult and dangerous where it deliberately attempts to acquire a larger share of its market whether by merger, acquisition of control over competitors, by agreement or even by growth. There is little query as to the general effectiveness of the United States code. It may be expensive to operate; some critics consider it requires strengthening at points; and others are of the opinion that the *per se* rules are arbitrary and require moderation. But there is no doubt that the anti-trust code is, among competitive market economies, unique in its coverage of monopolistic and restrictive behaviour and outstanding in its rigour of enforcement of competition.

policy objectives

It is difficult to ascertain the specific policy objectives of legislation which purports to maintain or restore competition. This area of legislative policy attracts an unusual mixture of sentiment, reformist doctrine, and fundamental questions of economic organisation. Accordingly we can classify these objectives in two categories viz. (i) political objectives or value judgments associated with maintaining a competitive system; and (ii) the economic-efficiency objectives. The legislative policies which advocate control and regulation of monopoly and restrictions are not clear-cut but are hazy. However, the concept which has the most substantial tradition and most immediate appeal to the political thinkers is the one which maintains that the enforcement of competition is necessary to control and possibly subdue undue concentration of economic power in the hands of relatively few business houses or persons to make them responsible to the nation.

It is stated that power corrupts and absolute power corrupts absolutely. This is often said of political institutions; but it is said to be no less true of economic power. It is not surprising, therefore, that as political democracies developed in different countries of the world there was a growing consciousness of the need for keeping the economic power whether in the hands of corporations or partnerships or individuals—within control. Various measures have been taken during the last three-quarters of a century in different industrially advanced countries for this purpose.

concentration of power

Economic power may also manifest itself in obtaining control of large areas of economic activity, by a few industralists by diverse means. Apart from affecting the economy of the country, this often results in the creation of industrial empires tending to cast their shadows over political democracy and social values. Concentration of economic power is the central problem; monopolistic and restrictive practices may be appropriately considered to be 'functions' of such concentration.

It may be noted that economic power here is not the same as the economist's market power. It is more amorphous and less pricise term, it encompasses a generalised influence over employment policies trade policies, regional policies and political party politics rather than measurement of monopolistic power in a particular market. However, political thinkers find it diffcult to reconcile 'anti-bigness' in industry with the acceptance of concentration of power in trade unions and nationalised industries. To some extent anti-bigness and anti-monopoly is also a mode of thought with a long tradition in our politics. It goes alongside a more intellectual, liberal strand of thought; the idea that democratic values suffer through bigness as such. Naturally, such a doctrine is equally responsible for inviting criticism of concentrations of official power, of centralised planning etc. as it is of bigness or monopoly. But it has its impact on anti-monopoly and anti-bigness legislation in the belief that the alternative of competition actively encourages a wider decentralisation of decision-taking in the economic field. The virtues of free enterprise is being emphasised, but it hardly be taken as a distrust of large firms, on the other hand it does seem to mean a belief in the efficacy of competition in the sense of economic rivalry.

Besides the more specific and ascertainable political ideas on competition and monopoly there are a number of related doctrines usually commanding a wider range of acceptance. Thus, competition is valued because it appears to make possible greater equality of opportunity, that is the encouragement of new entrants in business or industry, of small firms to grow and so on. Basically, this is a 'fair-play' doctrine. In addition, there is a strongly held belief that for equitable distribution of wealth and material resources of the nation, small business itself is a desirable way of life and requires protection from the destructive encroachment of mergers, super markets and the imposition of smaller margins by bigger and bigger firms. The preservation and encouragement of small-scale industries and businesses runs counter to several elements in anti-monopoly and anti-restrictionist thinking.

consumer protection

Moreover, the consuming public itself is not organised to protect its own interests, it attracts little support and the bulk of its attention is taken by particular questions of availability (due to all round scarcities), quality, performance and service. More general matters concerning methods of selling, the organisation and competition of different kinds of industry or different types of distributor, capture their interest only episodically. In so far as they coustitute a group, it can be said that they usually would have a presumption in favour of competition. But consumer protection, on the whole, is an issue which appeals to everyone in theory but is practiced by only a small uninfluential body of reformers with political overtones. Put together these ideas favouring competition make something of a melange—what might be expected of a collection of value judgments. Until recently, no public opinion or criticism was generated on this issue. However, after the publication of the report of the Monopolies Inquiry Commission in 1965, an influential body of opinion favouring competition and expressing dislike towards big-business and monopoly has developed. These have become a more identifiable and internally consistent element in current Indian political philosophy.

The economic-efficiency objectives of a policy for maintaining competition are more easily ascertainable. There are three areas of efficiency in which results are expected from competition: (i) Efficiency in the use of resources is one. Competition is expected to control the prices of material inputs, of equipment, of labour, of locations etc. going into goods. Among the suppliers of goods competition is expected to keep prices down to something near to the cost of inputs; (ii) Competition is also expected to promote economic growth by encouraging greater productivity within individual industries. Economic growth in this sense stems from technological progress: increases in output stimulated by new methods of production, new forms of organisation, by new materials and new commodities; and (iii) Competition is expected to have some equitable effect on the distribution of incomes by reducing prices to something approximating costs, thus benefiting the consumer groups. To secure equity of income distribution it has been found more effective and logical to rely upon the taxation of individuals no matter what the source of income superiority, rather than on the manipulation of their positions of advantage in the economy. Consequently, the efficiency objectives of competition appear to lie between resource allocation and economic growth. This may well turn out to be a disturbing combination.

Emphasis must be placed on the point that, behind these ideas there is more complicated structure of problems affecting the *intensity* of competition, the *character* of competition and the kind of *industrial structure* which, it is felt, are desirable to society. It is not likely that exactly the same pattern of competition, monopoly and concentration of economic power as is found acceptable in, say, the UK, the USA or other industrially advanced countries will be desired in our country also although policy objectives may appear very similar. Hence statements of legislative policy objectives should rest on complex assessments of fact and values affecting the general pattern of monopoly and competition in the economy. For example, what are desirable types of restrictive agreements? What average degree of concentration in industr distribution is acceptable? What persion of size structure within industry is desirable? Should policy sider technical economies of scale a able to the plant and ignore the less e identifiable economies of large com organisation? What is the approp attitude on such inscrutable phenon as price leadership, parallel price pol of oligopolists, interlocking director and so on? Some of these questions re an answer in terms of specific situati But, in practice, general conclusions often reached on the basis of intu judgements of what are the social economic valuations of a partic economy.

How far the parliamentary intenti behind the legislation, MRTP Act, 1 are likely to be achieved is yet to be s The MRTP Act, 1969, has not yet reac any significant level of maturity both administrative technique and judi review. It is hoped that Justice Sac committee will keep all the econo aspects in view while recommend simplification of this important piece economic legislation which has very w national and international impact.

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DAC members take another look at aid

Members of the Development Assistance Committee (DAC)[1] of the Organisation for Economic Co-operation and Development (OECD), with one country (Italy) having reserved its position, adopted on February 28, 1978, a revised Recommendation on Terms and Conditions of aid which supersedes the DAC Recommendation on Terms and Conditions of Aid of 1972. The text of the revised recommendation is given below.

WINDOW ON THE WORLD

THE MAIN objective of the revised terms recommendation is to implement the agreement reached at the Paris Conference on International Economic Co-operation in June 1977: (i) To raise the overall grant element target for each donor's total Official Development Assistance (ODA) commitments from 84 to 86 per cent; (ii) to extend ODA to the least-developed countries essentially in the form of grants; and (iii) to extend ODA to other countries whose needs are the greatest on the best grant element possible.

The grant element is a measure of the extent to which the combined terms of a loan (interest rate, maturity and grace period) deviate from market terms (zero grant element) and bring it closer to a pure grant (100 per cent grant element). There are many possible loan/grant combinations with which members can achieve an average grant element of 86 per cent. Examples are:

—A programme consisting only of loans with a 0.75 per cent interest rate, 50 years maturity, 10 years grace period (these are the terms of credits extended by the International Development Association);

—A programme consisting of 50 per cent grants with the remaining 50 per cent made up of loans having an interest rate of one per cent and a maturity of 30 years, with a seven years grace period (72 per cent grant element).

The Development Assistance Committee, having reviewed the recommendation on terms and conditions of aid adopted by the DAC at its high level meeting on October 16 to 18, 1972:

Approving the progress made towards fulfilling or surpassing the objectives set out in this recommendation and noting the favourable average terms of aid provided by DAC members as a group;

Recognising the desirability for further improvement in the financial terms of members' programmes of Official Development Assistance, considered not only as a whole but also in their application to the specific needs of individual developing countries;

Reaffirming that equal attention must also be given to the provision of an adequate and sustained volume of Official Development Assistance;

Recognising that the continuing differences in the terms provided by memher countries impair the spirit of the common effort and render more difficult the maintenance of the most liberal standards of terms;

Bearing in mind the special needs of the least-developed countries;

Renewing its resolve to seek appropriate ways and means of advancing towards untying national aid programmes and urging its members in the meantime to mitigate as much as possible the adverse effects of aid tying;

Adopts—one country having reserved its position—the following recommendation which supersedes that of 1972:

ODA defined

Coverage of the terms objectives: The objectives of this recommendation apply to Official Development Assistance (ODA) commitments, made on and after January 1, 1978. ODA is defined as those flows to developing countries and multilateral institutions provided by official agencies, including state and local governments or by their executive agencies, each transaction of which meets the following tests:

(a) It is administered with the promotion of the economic development and welfare of developing countries as its main objective; and

(b) it is concessional in character and contains a grant element[2] of at least 25 per cent.

Objectives for financial terms: In order to achieve a further softening of overall financial terms of ODA, members should endeavour fully to maintain or achieve as soon as possible an average grant element in their ODA commitments of at least 86 per cent. In this connection the special value of grant assistance is recognised.

Countries whose ODA commitments as a percentage of GNP are significantly below the DAC average will not be considered as having met the terms target.

Recognition of circumstances of individual recipient countries and harmonisation *of terms*: Members should relate the terms of aid on a case-by-case basis to the circumstances of each developing country or group of countries. In particular, members should provide a substantial part of the assistance given to developing countries with the severest economic problems in the form of grants or on very soft terms. Member countries which already extend a large proportion of their assistance on soft terms, but concentrate it on a limited number of recipients, should aim to grant increasingly soft terms also on their assistance to other recipients whose circumstances also call for soft terms.

common basis

The Development Assistance Committee will continue to review the current position and prospects regarding the income level, the development performance, the balance of payments, the debt servicing burden, etc. This should assist individual donors in formulating their terms policies and may provide the basis for a common view on the terms appropriate to individual developing countries or group of countries.

Members should make concerted efforts to harmonise terms at the level of the recipient country. They should make use of consortia, consultative groups or other concerted aid operations, where these exist, in cooperation as appropriate with the international bodies involved, in order to reach a common view as to the appropriate terms at which assistance should be provided. Where no such coordinating arrangements exist, terms harmonisation should be sought through an appropriate form of consultation, the nature of which might be the subject of an exchange of views in the DAC.

The absence of harmonisation of donors' aid terms is liable to be particularly harmful to poorer developing countries. In extending aid to such countries members should not only take account of the circumstances of the country itself but also be guided by the terms of the donors extending their aid at soft terms to that country. Members who hitherto have provided funds on harder terms, should do their best to come as close as possible to the average terms of all bilateral DAC donors to the individual country.

Special terms for least-developed countries: A group of least-developed countries has been identified by the UN for which, apart from any other special measures, the softest possible terms of aid are appropriate. Official Development Assistance to these countries should be essentially in the form of grants and as a minimum, the average grant element of all commitments from a given donor should either be at least 86 per cent to each least-developed country over a period of three years, or at least 90 per cent annually for the least-developed countries as a group.

DAC members should endeavour fully to extend their ODA commitments to other countries whose needs are the greatest on the best grant element possible.

Regular review of implementation: The achievements of individual member countries in implementing the agreed objectives set out above will be regularly appraised in the DAC as part of the aid reviews. In addition, the DAC will review each year the progress under the various provisions of this recommendation.

Need for non-project assistance and local cost financing: While acknowledging the advantages of the project approach, members recognise that it is necessary to consider the overall needs of the developing country as well as its balance of payments and other factors and that it may be appropriate to provide aid to finance general import costs or local costs of development, or both. With resp local cost financing, members sha into account the guidelines on loca financing adopted by the DAC on O 27, 1977.

Review of other officially extend supported flows[3]: The objectives recommendation apply to Official lopment Assistance. In addition, ever, other officially extended or supp flows are of continued importance source of finance. DAC members, fore, agree to review more fully, in c tation with other interested committ the OECD, their basic approach extending such flows to developing c ries and their relationship to aid development considerations. Further DAC will keep itself informed of the dence of other officially extended supported flows and their geographic tribution, especially with respect to t developing countries with severe exte debt situation.

References

1. Australia, Austria, Belgium, Ca Denmark, Finland, France, Federal Republ Germany, Italy, Japan, the Netherlands, Zealand, Norway, Sweden, Switzerland, U Kingdom, United States and the EEC Com sion.

2. "Grant element" is the difference betw the face value of a financial loan commitment the discounted present value (using a 10 per discount rate) of the service payments to be m by the borrower during the lifetime of the l expressed as a percentage of the face value.

3. Including officially extended and offic guaranteed private export credits as well as cially guaranteed private foreign investment.

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Dr H. Mahler

World Health Day, April 7, is an annual event marking the anniversary of the coming into force of the Constitution of the World Health Organization. The aim of World Health Day is to interest the public in a theme of importance for the health of mankind. The theme for 1978 is Hypertension, the slogan is: "Down with High Blood Pressure."

The observance of World Health Day is usually organized by national or local health services: WHO national committees, United Nations associations, international organizations, non-governmental organizations working in the health field, and other bodies can give valuable assistance. In order to avoid dispersal of effort, it is important that all World Health Day activities be properly coordinated; this is usually done by an official health service.

YPERTENSION, OR high blood pressure, is silent, secret threat to the health of peole around the world. Presenting no ymptoms in its early stages, hypertension ften passes unnoticed. However, its comlications are among the most important auses of death and incapacity in many arts of the world. As blood pressure ises so does the risk of stroke and coroary heart diseases. As blood pressure oes up, life expectancy goes down.

Yet, though this is common knowledge n the health profession and the means o control this condition exist, the largest art of the population at risk is not being elped. In a recent survey of European nd North American adults, 10-15 per ent were found to be hypertensive; neverheless, only half of the cases were known o the health profession and of those only 30 per cent at most were under treatment. Moreover, of those under treatment only a minority had had their blood pressure brought down to a safe level. This is the situation in countries with highly developed medical services. Prevalence of hypertension in developing countries seems to be about as high and the number treated far less.

Because the problem of hypertension is worldwide and the means are available to tackle it if the community can be mobilized, WHO has chosen hypertension as the theme for World Health Day, April 7, 1978.

A network of collaborating centres was established by WHO to study the feasibility to community control for hypertension. This includes detection, treatment and follow-up of patients. Different methods of control are being compared; WHO makes a particular effort to develop approaches that can be easily adapted to the socio-economic conditions of developing countries.

Certain broad principles have already emerged. Where the community has shown a strong will to combat the problem there have been some striking successes: in one such programme, using a variety of means, it is estimated that thousands of lives are saved each year through hypertension control.

The fight to control hypertension should not be seen as a dramatic one-time-only campaign but rather as something that will become a normal and permanent part of existing health services. Control of this community health problem goes beyond medical services. It needs the continuous support of the public, often spearheaded by nongovernmental organizations. The entire community—teachers, public officials and the mass media—must be enlisted to help detect the large number of persons at risk who are unaware of their condition. Nurses, doctors, members of the family must all be ready to help the person at risk seek treatment and then to encourage him to stick to it. In many cases a better life-style with a view to improving diet and increasing exercise should be encouraged.

With this broad appeal to health professionals, the public and non-governmental orgaizations, WHO hopes to enlist communities everywhere in the fight against hypertension.

Dr Mahler is Director-general, World Health Organisation.

Hypertension in India

Prof M. L. Bhatia

USING SCIENTIFIC methods and employing a wide variety of indigenous techniques, India is attempting to cope with a problem that preoccupies people the world over—hypertension.

Though infectious diseases and malnutrition still remain major health problems, cardiovascular disease has become an important cause of ill-health. Rheumatic heart disease is the most common form of heart disease, both in rural and urban communities, ischaemic heart disease, especially in urban communities, the second, and hypertension, with or without complications, the third.

It is hard to estimate precisely the prevalence of hypertension for the entire country. Some studies show incidence varying from 3 per cent to 15 per cent for rural India, with a rate from 4 per cent to 15 per cent in urban or industrial areas. Recent data from the All India Institute of Medical Sciences indicates that hypertensives constitute as many as 15 per cent of 40,000 registered patients in New Delhi, the capital.

A survey of 6000 persons over age 20 showed more than 10 per cent of the population in Bombay with high blood pressure. This 10 per cent cuts across class lines, applying to the lower and middle as well as to the higher classes. Because of the large number of undetected cases in the community at large, even these do not reflect the real magnitude of the problem.

The etiology of hypertension in India is essentially the same as that found elsewhere. A large majority, 80 per cent of the older patients investigated, suffer from essential hypertension. The prevalence of secondary hypertension is harder to establish since case detection is difficult and laboratory investigations cannot always be carried out. But data from urban hospitals, where facilities exist, show that hypertension in younger patients is predominantly a secondary result of kidney diseases.

An unusual cause of hypertension, nonspecific aortitis, generally afflicts the young, mainly young women though older patients have been seen. About 100 cases of this disease have been seen and investigated by us. The disease causes high blood pressure by involving arteries connected to the kidneys and severely narrowing the interior of the aorta. Though its cause is still unknown, Indian scientists are inclined to consider modified tuberculosis as the cause.

In the Punjab and Haryana regions of north India and in some places in the south, a high incidence to kidney stones in the urinary tract has been reported. The stones cause secondary hypertension by blocking the flow of urine and causing infection.

Surgical treatment of secondary hypertension is currently practised all over India but these cases represent only a small fraction of the total number who suffer from high blood pressure. As elsewhere, primary hypertension, whose causes are unknown, remains the principal threat.

Hypertensive patients may be detected during routine check-ups or be seen for the first time with serious complications like stroke or myocardial infarction. Heart failure, brain stroke, chronic renal failure are the most common complications of hypertensive heart disease.

A significant number of patients in India are treated by practitioners of the indigenous systems of medicine, such a *Ayurveda* and *Unani*. However, the exact composition of the powders and infusions they dispense is not known. One of the components has gained worldwide acceptance—*Rauwolfia serpentina*, known locally as *Sarapgandha*, from whose roots reserpine is obtained. It will be worthwhile studying the components of other traditional medicines in an attempt to find those that are most useful.

Two other long-practised modes of treatment are also perhaps unique tc
but have recently spread to other
tries, particularly in the industr
world: Yoga and meditation.
scientific evaluation is very recent.

Yoga is a system of self-culture, a
at a harmonious development of
mind and soul. It has a real place i
treatment of many diseases, incl
hypertension. A part of yoga is *Shava*
a position in which eyes are cl
muscles relaxed and breathing
slowly and rhythmically. This has
evaluated in clinical trials in Bombay
yoga technique does not depend on
and avoids their drawbacks. How
caution needs to be exercised and
should not be uncritically accepted fc
hypertensives, especially those with s
symptoms.

Meditation, transcendental or other
can be used for self-therapy under a p
cian's guidance in cases of chroni
high blood pressure. Both yoga and r
tation should be considered as altern
modes of management, not only for
vention in populations exposed to risl
hypertension but also for treatment o
early stages of the disease when stress

Down with High Blood Pressure—Brief Glossary of Terms

Arteriosclerosis: A thickening and loss of elasticity of artery walls which impedes the flow of blood. It is usually caused by atherosclerosis.

Blood Pressure: The maximum pressure at the height of the heart's contraction is called "systolic" pressure and the lowest pressure, when the heart pauses between contractions, is called "diastolic" or minimum pressure.

Atherosclerosis: Lesions and fatty deposits on the inside of arteries that narrow artery walls and thus block the flow of blood.

Cerebral Haemorrhage: Bleeding in the brain caused by rupture of arteries. Commonly known as stroke, it is frequently caused by hypertension.

Cerebral Thrombosis: Also commonly known as stroke, it results from a clotting within an artery of the brain that reduces the blood flow to part of the brain.

Coronary (or Ischaemic) heart disease: An insufficient supply of blood to the heart muscles, in most cases caused by a thickening of the coronary arteries.

Hypertension: Commonly known as high blood pressure, it is an abnormal rise of arterial blood pressure.

Essential Hypertension: The most common form of high blood pressure, it is hypertension of unknown origin.

Secondary Hypertension: Hypertension where the cause is known. Renal hypertension, as a result of kidney disease, is the most common form.

Heart Attack: A commonly used term for myocardial infarct.

Infarction or Myocardial Infarct: Death of a portion of the heart to which blood supply has been cut off owing to the blocking of an artery.

Stroke: Sudden paralysis of part of the body when blood supply is cut off to a part of the brain.

ironmental factors are the main reasons blood pressure.

Practitioners of modern medicine have vide range of drugs available to them. cause drug therapy is expensive and may oduce undesirable side effects, many tients stop taking the drugs prescribed to em. High drug costs poses a crucial pro- em since, at the moment, only a small gment of the population is covered by health schemes that provide free treatment. For these reasons it is difficult to determine how successful the use of drugs has been in reducing morbidity and mortality in India.

Using scientific methods and employing a wide variety of techniques, India is attempting to cope with a problem that preoccupies people the world over—hypertension.

What can be done?

Dr J.I.S. Robertson

OR YEARS an academic battle raged about st what hypertension was. Some main- ined that high blood pressure was a sease in itself. Hypertensives were dis- nct from other people. There might be a ne responsible but, in any case, hyper- nsives were a class apart. Those who eld the opposing view maintained that gh blood pressure was simply the upper nd of a scale on which were distributed l the degrees of pressure. Some people ere very hypertensive, others had quite w blood pressure and all of the rest— he majority—were located somewhere long a line that ran from one extreme to he other. There was no such thing as a istinct cut-off point between healthy eople and those who suffered from ypertensive disease.

This battle of ideas was no academic uestion but crucial to what it meant to creen for and treat hypertension.

In recent years the second view has een generally accepted. There is no enuine dividing line that separates 'normal'' from ''hypertension''; any lefinition of what is high blood pressure must be arbitrary. There is general agreement, however, that clinically ''essential ypertension'' means blood pressure dis- inctly above the average without an vident cause.

High blood pressure carries an increas- ed chance of stroke, coronary heart dis- ease, heart or kidney failure. The higher the pressure, the greater the risk.

Since it seems more and more evident hat high blood pressure is caused by multiple factors, it follows that the search or a single, correctable cause will be nrewarding. This has proved to be the ase. The great majority of those whose blood pressure is high suffer from hypertension without evident cause. Their therapy must consist, therefore, in lowering arterial pressure through the use of non-specific hypotensive drugs.

There is a small proportion of patients, however, whose hypertension does have an identifiable cause and this possibility should be considered first by physicians. And the younger the prospective patient the harder the cause should be sought. There are two reasons for this: an underlying abnormality is more likely to be found in a young person and if such a factor is not identified the patient is faced with the prospect of taking non-specific drug therapy for the rest of his life.

Some specific causes of hypertension have been identified. Oral contraceptives, for example, can cause a marked rise in blood pressure in some women and a slight increase in most. This possibility should never be overlooked in a young woman with high blood pressure. The pill certainly worsens hypertension and it is illogical to treat blood pressure while continuing oral contraceptives. Sometimes merely stopping the pill brings blood pressure down to acceptable levels.

There are a variety of congenital kidney and adrenal gland conditions that can cause high blood pressure; fortunately many can be dealt with by surgery. However, it is worth reiterating that hypertension with an identifiable cause is rare.

Although high blood pressure carries a risk of illness, it does not necessarily follow that reducing it by the use of drugs will also reduce the frequency of these complications. This is a possibility that must be tested and proved.

The first proofs were demonstrated in cases with severely elevated levels. With very high levels, particularly if the pressure has risen rapidly, a complication known as ''malignant hypertension'' may occur. Put simply, this means that small arteries in many parts of the body begin to disintegrate because of the very high pressure forced on them. These changes can be seen when tissue is examined under the microscope and there may be damage to the retina, optic nerves and kidneys. As the term indicates, ''malignant hypertension'' is invariably fatal if untreated.

In these severe cases, no elaborate controlled trials were needed to show how important it was to reduce blood pressure. With appropriate therapy, heart failure receded, the advance of kidney failure was halted and, in many cases, lesions of the retina healed completely. Malignant hypertension, though a medical emergency, can be cured if therapy begins soon enough before kidney failure has occurred.

controlled trials

But while the value of treating severe hypertension seems obvious, controlled trials were needed to show the benefits of treating milder cases and several problems immediately arose. Because the incidence of complications is lower, any advantages of therapy will take longer to demonstrate. Also, with fewer complications there comes a point where the side effects and inconveniences of drug therapy outweigh the benefits. Moreover, since the number of potential patients needing treatment is much larger the cost of treatment and follow-up increases considerably. The mild hypertension liaison committee, sponsored jointly by WHO and the International Society and Federation of Cardiology, is coordinating and exchanging information about studies now going on in Australia, Europe, United Kingdom and the United States of America.

While lowering blood pressure reduces strokes, heart failure and malignant hypertension, no comparable reduction in coronary heart disease has been observed. Indeed, some reports seem to show that myocardial infarction has gone up following hypertensive therapy. This may mean that more patients are surviving to have coronary attacks but there is a possibility that some drugs that bring down blood pressure may predispose to, or worsen, coronary heart disease.

For this reason the introduction of beta adrenergic blocking agents to treat hypertension has aroused interest. These drugs definitely lower blood pressure. They have also been shown to reduce mortality when administered long-term after a myocardial infarction. Therefore, beta blockers may be able to lower the incidence of both strokes and myocardial infarction. A number of trials are under way at the moment to find out; although first results are promising, it is still too early to be sure.

gigantic problem

There may be considerable benefits from treating mild hypertension. As we have seen, even a slight elevation of arterial pressure carries a risk of stroke and heart attack, two of the major causes death or premature disability in the world. If blood pressure reduction can minimize these events, this would represent a medical advance of the first magnitude. The size of the problem, however, is huge. The Renfrew survey found that in the age-group 45-64 years, 15 per cent had a diastolic pressure over 100 mmhg, 25 per cent above 95 mmhg and 40 per cent above 90 mmhg. There is some cardiovascular risk at all these levels, therefore a possibility that treatment could minimize this risk, but the magnitude of the problem is obvious.

If this treatment is of benefit how can we go about screening a population? Most surveys show that when a special screening programme is set up, about 80 per cent of the target population will attend when sent for. In comparison, a study of general medical practices in central Scotland revealed that roughly 80 per cent of a doctor's listed patients will see him for one reason or another over a three-year period. Thus, if the opportunity was taken at these visits to check blood pressure this would be effective and convenient for both patient and doctor.

We need to alert the general public, but the medical profession as well, to the dangers of hypertension and what can be gained by its prompt and continuous treatment.

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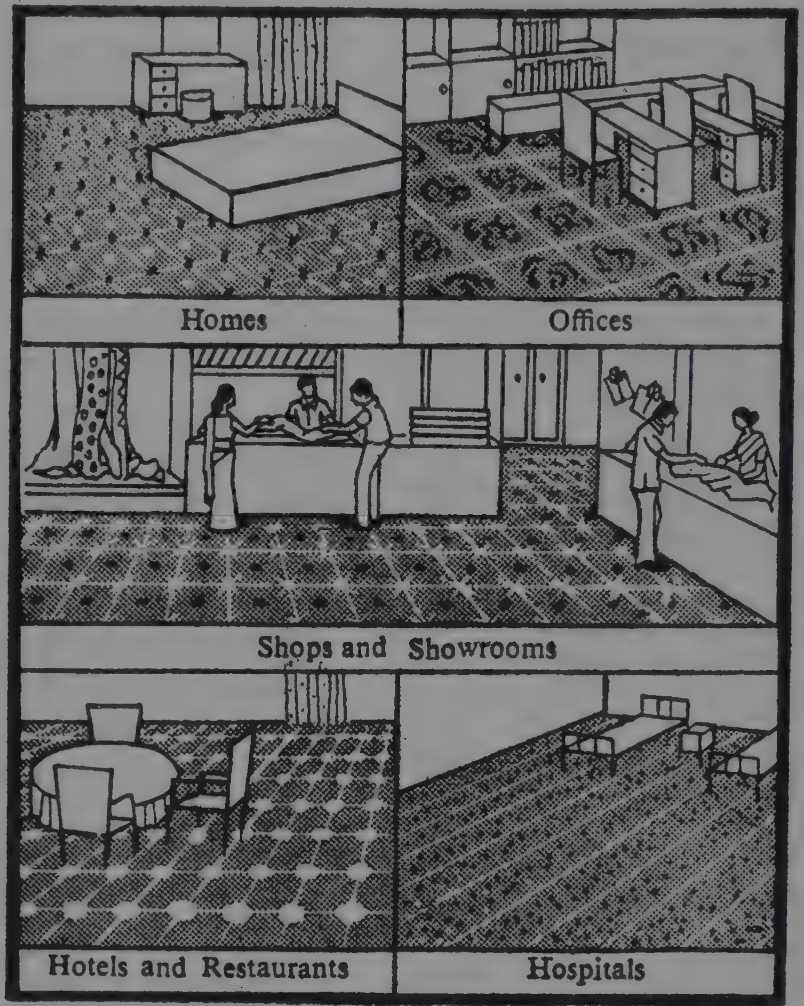

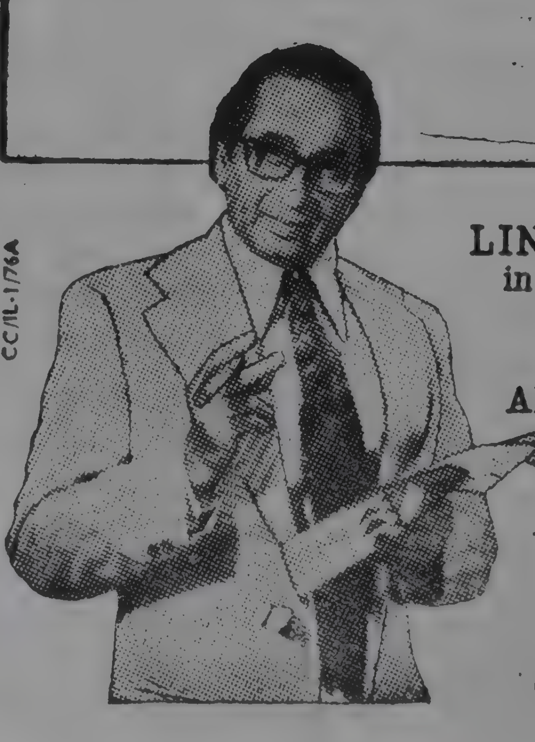

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The prime minister went on the Radio and TV on March 23 to catalogue the achievements of the Janata government at the centre during its first year in office. Akashvani Bhavan, however, did not extend its hospitality either o Mr Y.B. Chavan, who still remains he official leader of the opposition in Lok Sabha, or Mr Kamalapati Tripathi, who occupies a similar position in Rajya Sabha, or Mrs Indira Gandhi, who has proclaimed herself to be the national opposition, so that they could also tell the people what the other side or sides have achieved during the same period. Given the opportunity, I am sure that even Mr Chavan, not to speak of Mrs Gandhi, could also have delivered an impressive narrative of opposition achievements. Only, so far as political propaganda is concerned, Radio and TV still resolutely remain creatures of government publicity. It may be argued, of course, that it was the prime minister who did the broadcast or the telecast and not Mr Chandra Shekhar, the president of the Janata party. But, then, how real is all this fine distinction between the government and the ruling party? It has always been a case of distinction without a difference and I do not find that this situation has changed or is changing.

Any suggestion that the Press Information Bureau has been sponsoring newspaper supplements for advertising the Janata anniversary is probably not technically true, but the PIB did issue special press releases for the occasion and some of this material did find its way into newspapers in the company—not accidental, surely—of advertisements from such sources as the publicity departments of the Delhi Administration and the state governments of Gujarat, Uttar Pradesh, Haryana and Punjab, wishing the Janata a happy birthday. It should be difficult to justify such special annual reviews of Janata achievements, whether by the prime minister or any other Janata leader or spokesman, when the government even otherwise has all the opportunities that it could possibly need for informing the people what it had done in the past 12 months. The president's speech in the budget session of parliament is only a few weeks old. It was followed by the budget speech of the Finance minister. Throughout the current session of Lok Sabha or Rajya Sabha, ministers, including the prime minister, are having many opportunities of narrating the achievements of individual ministries as well as the government as a whole during the past year. Simultaneously, ministries of the government are presenting their annual reports to parliament. Surely, so far as the public is concerned, there can be no dearth of material about the achievements of the Janata government. Why, then, should there be special birthday announcements with the participation, direct or indirect, of all kinds of governmental machinery?

The Home minister informed Lok Sabha on March 23 that the government had decided to withdraw the Criminal Procedure Code (Amendment) Bill, incorporating some of the features of the Maintenance of Internal Security Act, consequent to the Janata party's election pledge to repeal the MISA itself. This decision has been hailed in some quarters as a reassertion of the party's commitment to democratic norms and values. There is however no concealing the fact that the government withdrew the Bill only because it was not confident of carrying its partymen with it in getting this legislation passed. While it may be true that not all of the ministers were fully convinced at any time that the Bill was a necessary or proper piece of legislation, the fact remains that the cabinet as a whole had considered all aspects of providing for preventive detention as a normal process of law before reaching the conclusion that the public interest justified the retention by the executive of the power of preventive detention under appropriate and adequate safeguards. No government judges such issues lightly and any retreat on its part from a decision of this gravity must necessarily raise the question whether there has not been a gross failure of leadership.

It seems to me that the Janata leaders will live to rue the day when this government allowed itself to be panicked into withdrawing this Bill. It is most unlikely that any government in this country, at the present stage of our socio-economic or political evolution, will be able to cope with all possible situations involving a threat to law and order or national security, without the benefit of reserve powers for dealing with conspiratorial elements or subversive political forces. Unfortunately, the Janata leaders including the prime minister, do not seem to be able to face the issues squarely and acknowledge that, if preventive detention is to be resorted to at all, it can or should be only on political grounds. It is this ambiguity in their thinking or conduct which had unfitted them for resisting the pressures in their party for withdrawing the Bill.

In truth, then, the withdrawal of the Bill is no courageous contribution by the Janata government or the Janata party to the cause of democracy; it is, on the other hand, a disturbing sign that this government either has no mind of its own or it does not know its mind even in matters as important as this. At the level of personalities, both Mr Morarji Desai and Mr Charan Singh have suffered in prestige and the damage canot be mended merely by saying that this government does not stand on prestige.

VB

MOVING FINGER

TRADE WINDS

US and Germany to Stabilize Dollar

THE US and West Germany have evolved a major new cooperative effort to stabilise the foreign exchange markets and arrest the decline of the dollar. The principal elements in the package, announced simultaneously in Washington and Bonn, are:

· A doubling of the swap arrangement between the Federal Reserve and the Bundesbank to $4 billion. This brings the overall size of the swap network between the 15 principal central banks and the Bank of International Settlements up to $22.16 billion. A direct sale from the treasury to the Bundesbank of US holdings of 600m. Special Drawings Rights (about $740m.) in order to purchase Deutschemarks. A statement of US willingness to draw on, if necessary, the $5.1 billion, it has unconditionally at its disposal with the International Monetary Fund.

Close Cooperation

The joint statement was issued under the names of Mr Michael Blumenthal, the US treasury secretary, and Herr Hans Matthoefer, the West German Finance minister. Both sides reaffirmed "that continuing forceful action will be taken to counter disorderly conditions in the exchange markets and that close cooperation to that purpose will be maintained."

Mr Anthony Solomon, the treasury under-secretary who had finalised the new package in consultation with his German counterparts, stated that the agreement represented "a convergence of views" between the two countries to a much greater extent than had existed until now. The US, which has consistently been urging Germany to stimulate its domestic demand, attaches special importance to that part of the joint statement which declares that "economic developments during the first quarter of 1978 will be particularly important in determining the future course of economic policies in the Federal Republic and elsewhere.

Manufacture of TV Glass Shells

The ministry of Industry, has set up a working group to go into all aspects of setting up a TV glass shell industry in the country. The working group would examine technological, locational and economic aspects of the manufacture of TV glass shells in the country, examine individual proposals which may be received from entrepreneurs and make appropriate recommendations to the government. Manufacturers of TV picture tubes and TV sets as well as the general public interested in the development of the industry are invited to send their suggestions to the working group within a period of three weeks from the date of the announcement, March 20. Entrepreneurs intending to set up TV glass shell projects are also requested to submit detailed proposals within this time limit. Proposals for the manufacture of TV glass shells should contain details of technology involved, location of the project, economic viability, financial arrangements and foreign collaboration, if any.

Bank of Baroda Rural Scheme

Encouraged by the experience gained by Bank of Baroda in the working of its Multi Service Agency (MSA), devised specially for financing small borrowers of meagre means, a special integrated rural development agency has been devised in the form of the Gram Vikas Kendra (GVK). The GVK adopts and adapts many of the MSA concepts and procedures for promoting integrated rural development. The major objective of the GVK is to create gainful employment in productive ventures in rural areas. The approach being integrated rural development, concerted efforts are made to finance improved agriculture and allied activities, small borrowers, village industries and rural craftsmen. Simplicity in loaning operations and flexibility in approach are the two major features of the GVK.

To begin with, an intensive survey of the area is undertaken to understand the needs, assess potentialities and devise special schemes needed for rural development. The area selected need not necessarily be in the lead districts but can as well be in one of the non-lead areas of the bank. What is emphasised in the survey is not merely identification of bankable schemes but also those activities which can be made bankable with necessary efforts. Rural development being a collective responsibility, the GVK enlists the cooperation o
ral concerned agencies i
field.

Mere formulation of s
schemes and set-ups wou
help to deliver the goods
effective field communic
strategy is implemented. T
fore, under the GVK sc
meetings are organised
farmers either in the vi
themselves or at the block
for informing farmers a
the bank's various scheme
availability of finance th

Advances are classified u
three broad categories com
ing agriculture, MSA and s
scale industries. A sp
system known as the Agr
tural Finance Monit
System (AFMS) is develop
monitor the progress of
advances. Bank of Baroda
so far set up seven GVKs s
October last. Some of t
centres are set up in non-
areas too. The concept of G
is now under implementa
and results too are encourag

Two Irrigation Proje for Gujarat

The Planning Commis
has cleared Hiran and Ka
tari medium irrigation p
jects in Gujarat. The e
mated cost of these project
Rs 4.48 crores and 1.13 cro
respectively. The Hiran-II i
gation project comprises co
truction of an earth dam
ross Hiran river. The res
voir will have a live stora
capacity of 34.3 m. cum. a
provides for an annual irri
tion of 7,151 hactares
kharif, rabi and two seaso
crops in the semi arid Ju
gadh district. The Kabut
irrigation project envisag
construction of a dam acro
Kabutari river in the Pana
river basin in Panch Mah
district. The scheme provi
es for gross annual irrigati
of 1,753 hectares, consisti

of kharif, rabi and two seasonal crops. The scheme will provide irrigation benefits to ribal areas of the state in Panch Mahal district.

Stock Limits for Khandsari

The central government after careful considerations of the record production of sugarcane and difficulties faced by producers of khandsari in disposing of their produce due to restrictions on the stock limits that can be held by recognised dealers have enhanced the stock holding limits from 1,000 quintals to 5,000 quintals. It has hoped that this measure would encourage and facilitate larger production of khandsari and hence help in the disposal of sugarcane. It may be recalled that the excise duty on khandsari has been recently reduced due to fall in prices.

Prevention of Food Adulteration Rules

The ministry of Health and Family Welfare has notified a draft of rules further to amend Prevention of Food Adulteration Rules, 1955 *vide* ministry of Health Notification dated December 12, 1977. The proposed amendments seek, among other things, to. (i) make it mandatory to mention the date of manufacture on every container/package of food and in case of babyfood including weaning foods, the date of expiry/date before which the product is to be consumed, and to mention on the lable if it contains vanilla flavour, the statement, "Not for use by babies below 6 months"; (ii) limit the presence of kesari gram in primary foods; (iii) prescribe limit for insect infestation in food grains and spices; (iv) prescribe the maximum extent of chromium in parboiled rice; (v) prohibit the use of saccharine in aerated waters; (vi) reduce the requirement of milk fat in respect of malted milk food containing cocoa, and (vii) permit the use of ammonium chloride and fungal alphamylase in the preparation of bread. The suggestions/objections on the proposed amendments may now be forwarded to the Secretary, Central Committee for Food Standards, Directorate General of Health Services, Nirman Bhawan, New Delhi, till April 15, 1978.

Tea Exports

India's exports of tea during April to September, 1977 at 101 million kgs was quantitatively higher by about nine per cent, but in terms of value exports at Rs 2676 crores were higher by 136.8 per cent as compared to the corresponding period of the preceding year. According to Tea Board, exports of tea till December, 1977, reached a total of 178.4 million kgs valued at Rs 460.2 crores. The substantial increase in foreign exchange earnings was mainly due to significant increase in the unit value realisation which during the period April-December, 1977 is estimated to average Rs 25.80 per kg as against Rs 11.80 per kg in the same period last year.

On current indication, exports of tea during 1977-78 is expected to reach around 225 million kgs valued at Rs 500 crores as compared with 243 million kgs valued at Rs 293 crores in 1976-77 and 212 million kgs valued at Rs 237 crores in 1975-76. This was indicated in the annual report of the department of Commerce in the ministry of Commerce, Civil Supplies and Cooperation for the year 1977-78.

According to the report, the international prices of tea showed a marked increase during 1977 as a result of low production in certain tea producing countries such as Sri Lanka, and sharp decline in world supply of coffee. Tea production in India, has, however, shown a rising trend and during 1977 production was estimated at 559.82 million kgs as against 511.82 million kgs during 1976. The report pointed out that the increase in exports was achieved without adversely affecting domestic availability or prices. In consonance with the rising world tea prices, the tea prices in the domestic market also tended to rise considerably. In order to discourage this phenomenon the government of India had imposed an export duty of Rs 5 per kg with effect from April 9, 1977. Moreover arrangements made by the Tea Trading Corporation of India for the distribution of tea to the public through NAFED and NCCF at a retail price of Rs 16.50 per kg resulted in stabilising tea prices in the country. Besides, the excise rebate and drawback of excise duty were simultaneously withdrawn.

Indo-British Economic Committee

The agreed minutes of the meeting of the Indo-British Economic Committee were signed recently by Mr Mohan Dharia, minister for Commerce, Civil Supplies and Cooperation on behalf of India and Mr Edmund Dell, secretary of state for Trade on behalf of the UK. The committee had intensive discussions on March 13 and 14, 1978, on various aspects of bilateral economic relations including commercial and industrial cooperation. The committee was composed of officials and representatives of trade and industry from the public and private sector agencies.

The committee concentrated its attention on the specific initiatives and action programmes to be taken for imparting momentum to the growth of commercial and economic relations consistent with the developing potentials of the two economies. In this task, the committee was assisted by the two sub-committees set up and which had detailed discussions on March 10 and 14, 1978 and made recommendations to the ministerial committee. It was decided that continuous efforts would be made to identify products and industrial areas for imports and collaboration in both areas. In this process, the department of Trade in the UK would do their best to help India to establish contacts with the concerned bodies in the UK.

Export Studies

The committee appreciated the need of export level studies to find out precise areas and the mechanisms to promote commercial and industrial cooperation in such areas. This suggestion will be pursued for implementation.

The committee has been able to give a new dimension and impetus to the promotion of Indo-British cooperation through collaboration for projects in third countries. In the field of shipping, it was brought to the attention of the committee that there was need of modern vessels including containerised vessels on this route in view of the growth of demand for speedier, safer and efficient handling of the cargo.

There was also exchange of views on other issues concern-ng India-EEC relationship, Common Fund and Multila- eral Trade Negotiations. The ommittee accepted that in the Multilateral Trade Negotia- ions in Geneva the concerns of the developing countries hould be fully taken into account. The UK side raised certain matters affecting the UK citizens and Sterling Companies, particularly relating to remittance facilities and salaries of Seamen. The Indian side indicated that on details being received these would be considered.

Indo-Nepal Cooperation

The government of India and the government of Nepal signed recently a Treaty of Trade and Transit and an Agreement of Cooperation to control unauthorised trade between the two countries. The documents signed recently replace the 1971 Indo-Nepal Treaty of Trade and Transit which was valid until August 1976 but had been allowed to continue by a mutual exchange of letters between the two governments until new agreements were arrived at.

In order to assist in the industrialisation process of Nepal, the government of India has agreed to enlarge the scope for Nepalese manufactured products in the Indian market. The two governments have also agreed to incorporate necessary arrangements to maintain supplies of essential commodities needed by each other. In keeping with the efforts of the two countries to promote mutual trade preferential treatment would be accorded to the primary products on reciprocal basis.

The treaty of transit and the protocol lay down the procedures to be followed for Nepal's traffic-in-transit through India. The procedures will considerably facilitate the traffic-in-transit for Nepal's cargo. The new facilities include movement of bulk cargo both by rail and road.

The agreement of cooperation to control unauthorised trade, becomes necessary due to the long and open border between the two countries. It reconfirms the right of both countries to pursue indpendent foreign trade policies and the need to ensure that the economic interests of either country are not adversely affected through unauthorised trade between the two countries.

The two governments had entered into a treaty of transit in 1976 providing for use of Bangladesh ports to facilitate Nepal's overseas trade. To enable Nepal to make use of this facility, it has been agreed by the two governments through an exchange of letters, that overland routes will be provided to Nepal for her trade with Bangladesh as also for Nepal's trade with third countries through Bangladesh. The procedural arrangements to facilitate this will be worked out by the government of India with the Bangladesh government.

Regular Consultation

In order to facilitate effective and harmonious implementation of the treaties and the agreement, the two countries have agreed to consult each other regularly. Provisions have been made that problems which may arise in the course of the implementation of the documents may be discussed by separate official groups as and when necessary. It has also been agreed that an inter-governmental committee would meet regularly every six months alternatley in Kathmandu and in Delhi with a view to promoting closer economic cooperation between Nepal and India and for the harmonious working of the two treaties and the agreement. The treaties and the agreements came into force on March 25, 1978.

Indo-German Trade

The volume of Indo-German trade nearly touched the 2 billion mark in 1977. Imports from West Germany amounted to DM 1.14 billion (Rs 430 crores) and exports to Germany to DM 0.79 billion (Rs 300 crores). Main Indian export items were, in 1977 again, garments and made-up goods of cotton, which accounted for 20 per cent of the total Indian exports to Germany, followed by oilcakes. Other export items are wool and animal hair materials (mainly carpets), the export of which increased by 37 per cent within one year, and processed precious and semi-precious stones and pearls with an increase rate of 40 per cent. On the import side machinery accounts for the major part of the Indian imports from Germany; other main items are vegetable oils for human consumption, machine tools and electrotechnical goods.

Cargo Liners from UK

A British shipyard which already has a £120 million orderbook for new tonnage is to build six cargo liners for India at a cost of £50 million. Announicng the deal in London recently, Sunderland Shipbuilders, of Wearside (north-east England), stated that the 16,500-tonne ships for the Shipping Corporation of India would be delivered between the end of 1979 and mid-1980. They will be capable of carrying 264 containers or general cargo at a speed of nearly 16 knots. The ships are being financed through the British government's aid programme to India, with further assistance coming from the UK shipbuilding intervention fund The contract is the culmination of more than 18 months of negotiations and will provide work for some 3,000 people over the next year at two of the company's three Wearside building yards. The 9,900 h.p. Sulzer diesel propulsion units for the ships will also be built by north-east coast firms.

Unit Trust Sales

At a function held in the Unit Trust's new building at 13, New Marine Lines, Bombay, on March 4, 1978, Mr G. S. Patel, chairman, gave away prizes to 320 agents of the western region for their outstanding performance in the competition held during the special offer period—July 1977. The first prize was won by Mrs G.R. Wadia of Bombay. Sales of units during the special offer period exceeded Rs 27 crores this year of which western region covering Maharashtra, Gujarat, Madhya Pradesh and Goa accounted for Rs 15.94 crores.

Speaking at the function, Mr Patel mentioned that the performance of the Trust this year was exceptionally good and hoped that the year may turn out to be yet another record year in the history of the Trust. Sales till February 18, 1978 in the current aggregated Rs 40.15 crores and it is hoped that the total sales for the current year will exceed Rs 45 crores and may even be in the neighbourhood of Rs 50 crores.

Mr Patel mentioned that the experiment of appointing chief representatives in selected districts has proved fairly successful and in the western region, such representatives have produced very encouraging results in different districts of Gujarat. Units, considered to be sophisticated instrument, are now becoming popular both in semi-urban and rural areas through intensive promotional efforts. He also disclosed that in the current year, the scheme of appointing chief representatives has been extended to the eastern and southern regions. Chief representatives have been appointed in Burdwan district in West Bengal, Singhum and Ranchi districts in Bihar and Calicut district in Kerala.

He also mentioned that Unit-Linked Insurance Plan, one of the most attractive schemes of the Unit Trust operated in collaboration with Life Insurance Corporation has been progressing exceedingly well, recording an increase of over 185 per cent over the corresponding period of the previous year and that to enable the public to participate widely in this plan, the Trust has made special arrangements with all the branches of the Bank of Baroda for accepting applications and contributions for the plan in any part of the country.

BHEL Hydro Set for Jhelum Project

With the successful commissioning of the first unit of a hydro set of 35,000 KW capacity at lower Jhelum project, Jammu & Kashmir state will have more power. The set has been manufactured and supplied by the Hardwar division of Bharat Heavy Electricals Limited. The lower Jhelum project envisages installation of two more sets of the same capacity. This is the highest capacity set so far installed in Jammu & Kashmir. The project is located on river Jhelum in Baramulla district. The 35,000 KW generating set comprises of a Francis Turbine with 2,800 MW Runner Dia. Directly coupled with three-phase 50-cycle supply hydrogenerator of Umbrella type design.

UP Budget

An increase in the minimum rate of entertainment tax on cinema tickets from 80 per cent to 100 per cent, enhancement of sales tax on diesel from 8 per cent ad valorem to 12 per cent, and on palm oil from 6 per cent to 8 per cent were among the proposals made by UP Fnance minister, while presenting a Rs 79.36 crore deficit budget for 1978-79. The Fnance minister also announced the decision to increase the sales tax on Indian made foreign liquor in pursuance of the prohibition policy. He also proposed an increase in the registration fee and road tax on tractors-trolleys to yield an additional revenue of Rs 50 lakhs. It was proposed to revise the royalty rates on minor metals and streamline the system of their auction. The government proposes to impose tax on cinema slides and advertisement to yield Rs 50 lakhs more annually.

The finance minister announced an additional instalment of dearness allowance to its employees from January 1 this year. The mode of payment, which would entail an additional burden of Rs 11 crores, would be decided later. Receipts for the year are estimated at Rs 1,691.02 crores, including Rs 418.61 crores on capital accounts. The normal revenue receipts include Rs 312.14 crores as the state's share of central taxes, Rs 318.47 crores as grants from the union government and Rs 436.09 crores on account of the state's own taxes. The revenue expenditure is estimated at Rs 1,172.66 crores including Rs 238.09 crores on central account.

The prohibition policy to be applied in seven districts in addition to five hill districts where it is already in force, is expected to cost the exchequer Rs 20 crores a year. Taking into account the total receipts and expenditure, the consolidated fund of the state is expected to have a deficit of Rs 12.72 crores. With the estimated net receipt of Rs 46.02 crores under public account, the result of all transactions of the year is estimated to result in a surplus of Rs 33.32 crores, which would bring down the anticipated deficit of Rs 112.67 crores at the beginning of the year to Rs 79.36 crores at the close of the budget year. The government expects a net Rs 12.62 crores of additional income by additional taxation and Rs 20 crores by reducing non-productive expenditure and streamlining the administration.

Minerals Production

The total value of minerals production in India during the calender year 1977 was of Rs 1,297 crores. It indicates a marginal decline of one per cent from the figure of Rs 1,313 crores in 1976 according to statistics prepared by the Indian Bureau of Mines. The figure of Rs 1,297 crore for 1977 excludes the value of atomic minerals. Out of the total value, mineral fuels accounted for Rs 969 crores or 75 per cent of the total value of mineral production, metallic minerals Rs 175 crores or 13 per cent and non-metallic minerals Rs 152 crores or 12 per cent. Coal production contributed Rs 707 crores to the total of Rs 968 crores for fuels. Iron ore and copper ore are the important constituents of the metallic group, accounting for Rs 86 crores and Rs 23 crores, respectively, during the year. Among the non-metallic minerals, limestone contributed Rs 45 crores and phosphorite Rs 17 crores.

Bank Advances

The rate of interest to be charged on term loans granted by banks for the installation of gobar gas plants, has also been reduced to 11 per cent per annum.

International Airports Authority

The International Airports Authority of India increased its revenue from Rs 11.56 crores in 1975-76 to Rs 13.96 crores in 1976-77. According to the annual report of the authority for 1976-77 presented to parliament recently, the increase in revenue was largely due to additional traffic and partly due to the increase in the landing charges from February 1, 1977. The landing and parking charges which had remained static since 1972, were increased by 45 per cent for international flights and by 100 per cent for domestic flights.

The passenger traffic at Delhi, Bombay, Calcutta and Madras recorded an increase of 10 per cent in 1976-77 over the previous year. Out of this, domestic traffic registered an increase of 12.3 per cent. The cargo and mail handled at the airports registered an ncrease of 25.3 per cent. The report adds that since the investment in facilities did not increase with traffic growth, pressure on utilisation of available facilities was apparent.

Outlining the long-term measures taken to ease this pressure, the report says that work on the Rs 11 crore project for the construction of a new international passenger and cargo complex at Bombay was started during the year. The first phase of the terminal building, scheduled to be completed in 1980, will have a capacity for handling 25 lakh passengers annually. The land use plan and master plan for Delhi airport were prepared. The first phase of the plan provides for an international passenger terminal to serve 40 lakh passengers and an international cargo terminal to handle about 1.25 lakh tonnes of cargo annually.

Expansion Plans

As short term measures, the existing terminal facilities at the four international airports were extended to cope with the increase in traffic due to the introduction of Airbus by Indian Airlines. At Bombay, work for the expansion of the international arrival area was taken up. The baggage claim area and the baggage make-up area on the domestic side were enlarged and conveyors extended to meet the peak hour traffic requirements.

At Calcutta, the improvement of baggage conveyor syetem and augmentation of airconditioning in the terminal building were completed. The car park at the airport was enlarged to accommodate 200 additional cars. The existing baggage handling facilities at Delhi and Madras were also extended.

To strengthen airport security, the induction of state police at the four international airports was completed. Hand-held metal detectors were introduced for quicker security check of passengers. The IAAI also placed orders for X-ray baggage scanners. The construction of perimeter walls for protection to the airport areas was undertaken.

Interest Rates on Deposits

The Reserve Bank of India has directed the scheduled commercial banks not to pay interest on deposits of money accepted by them on or after March 1, 1978, except in accordance with the rates specified below:

They will pay with effect from (a) March 1, 1978 in the case of savings and fixed deposits and (b) April 1, 1978, in case of recurring deposits, cumulative deposits, etc., interest at the rates specified below.

On term deposits by banks: (Old rates given in brackets) (a) For deposits for 15 days to 45 days and for deposits subject to withdrawal or repayment by notice for a period not exceeding 45 days: 2½ per cent per annum (3 per cent). (b) For deposits for 46 days to 90 days and for deposits subject to withdrawal or repayment by notice for a period exceeding 45 days but not exceeding 90 days: 3 per cent per annum (3.5 per cent). (c) For deposits for 91 days and above but less than 6 months: 4 per cent per annum (same). (d) For deposits for 6 months and above but less than 9 months: 4½ per cent per annum (same). (e) For deposits for 9 months and above but less than one year: 5 per cent per annum (same). (f) For deposits for one year and above but upto and inclusive of 3 years: 6 per cent per annum (same). (g) For deposits for above 3 years and upto and inclusive of 5 years: 7½ per cent per annum (8 per cent). (h) For deposits above 5 years: 9 per cent per annum (10 per cent).

Rates payable on savings accounts: Banks shall, with effect from March 1, 1978, pay interest on deposits maintained in savings accounts at 4½ per cent per annum irrespective of the fact whether cheque facility is extended or not. The rate of interest on every savings account shall be calculated on the minimum balance to the credit of the account during the period from the 10th to the last day of each month.

Discretionary Power

Notwithstanding the provisions stated above, scheduled commercial banks having aggregate demand and time liabilities of less than Rs 25 crores, may, at their discretion, allow additional interest of ¼ per cent per annum on all term deposits upto and inclusive of 5 years and savings deposits. Further, regional rural banks may, at their discretion, allow additional interest of ½ per cent per annum on term deposits upto and inclusive of 5 years and savings deposits. The interest payable on fixed deposits as also on savings deposits shall be calculated at quarterly rests.

Effective March 1, 1978, interest rates on deposits made by non-resident Indians and persons of Indian origin under the Foreign Currency (Non-resident) Account Scheme have been lowered and brought on par with the rates of interest governing rupee accounts as announced on February 28. The new rat will be applicable to fres deposit accounts opened on o after March 1, as well as t existing deposits renewed o or after that date. Als deposits in FCNR accoun will henceforth be accepted f a minimum period of one yea and a maximum period of fiv years. All other terms an conditions applicable to th opening and maintenance o FCNR accounts under th Reserve Bank's schem announced in November 197 remain unchanged. The curren rates for deposits in FCN accounts for one to thre years (inclusive) and from thre to five years (inclusive) are si per cent per annum and 7½ pe cent per annum, respectively as against eight per cen and nine per cent in force til February 28, 1978.

Names in the News

Mr V.R. Subramanian ha been appointed genera manager of ILZIC—the India Lead Zinc Information Centr —to succeed Dr M.N Parthasarathi who recentl resigned to take up a positio in the United States. The Indian Centre is a subsidiar of the Lead and Zinc Development Associations, London and is supported by ZALIS— the Zinc And Lead International Service—with assistance from domestic producer and consumers in India.

For the last 15 years M Subramanian has been with Indian Oxygen Ltd—a Britis Oxygen Group company. He is a Fellow of the Institutio of Metallurgists (London), a member of the Nationa Council of the Indian Institut of Metals, of which he is joint honorary secretary, and is general secretary of the Institute of Standards Engineers.

COMPANY AFFAIRS

Hindustan Lever

HINDUSTAN LEVER has reported ncouraging performance during 1977. A final equity dividend of 11 per cent has been declared for 1977, with a pro rata 2.75 per cent dividend on the partly paid shares allotted in July, 1977. Together with the interim dividend of nine per cent already paid the total dividends for 1977 is 20 per cent, the same as was paid for 1976.

Sales have risen from Rs 213 crores in 1976 to Rs 261 crores in 1977. The gross profit was up by 9.4 per cent from Rs 21.67 crores to Rs 23.70 crores. After providing Rs 2 crores (Rs 1.97 crores) for depreciation, Rs 13.8 crores (Rs 12.75 crores) for taxation and Rs 20 lakhs (Rs 25 lakhs) for investment allowance, the disposable surplus is Rs 7.70 crores (Rs 6.70 crores). Dividends will absorb Rs 3.45 crores (Rs 3.53 crores).

Sales of soaps and detergents totalled Rs 167.50 crores in 1977 against Rs 145.36 crores in 1976, of edible fats and other foods Rs 56 crores against Rs 31 crores and of chemicals, animal feeds, toilet preparations and others Rs 39 crores against Rs 36.63 crores. Exports amounted to Rs 18 crores against Rs 17 crores. The company's products have achieved international recognition by winning gold medals at Luxembourg and Leipzig trade fairs.

The export-oriented ossein project at Taloia (Maharashtra), which was commissioned in August 1976, is now successfully established. The turnover of the ossein plant was Rs 1.3 crores in 1977. On full production, the turnover from this project is estimated at Rs 3 crores.

Philips India

Sales of Philips India (Ltd) for the year ended December 31, 1977 were Rs 79.81 crores (1976—Rs 72.08 crores). Gross profit before tax for the year after charging Rs 2.38 crores (Rs 2.17 crores for depreciation and Rs 1.59 crores (Rs 1.92 crores) for interest amounted to Rs 9.08 crores against Rs 6.85 crores for the previous year. Provision for tax is Rs 5.35 crores (Rs 4.35 crores). Profit for the year after tax is Rs 3.73 crores (2.50 crores). An amount of Rs 48 lakhs has been transferred to investment allowance reserve and Rs 7 lakhs (Rs 10 lakhs) has been released from development rebate reserve. The profit available for appropriation is Rs 3.32 crores.

Almost all product groups contributed to the increased sales. A substantial part of this increase is accounted for by the volume of sales. The improvement in profits has been achieved by overall efficiency in operations and despite increases in costs of materials, wages and power. Lower level of average borrowings resulted in substantial savings in interest costs.

In accordance with the approval of the Controller of Capital Issues 2,716,000 shares of Rs 10 each have been allotted on March 28, 1978 as fully paid up bonus shares in the ratio of one share for every five shares held, by capitalising the share premium and a part of the general reserve. For the year ended December 31, 1977 the directors of Philips India Limited have proposed a final dividend of Re 0.80 per equity share on the increased capital of Rs 162.9 million, subject to deduction of tax. The final dividend together with the interim dividend of Rs 0.50 per share, subject to deduction of tax, declared in December 1977 will make a total gross distribution of Rs 19.8 million as compared to Rs 16.3 million for 1976. Rs 1.0 million is appropriated to debenture redemption reserve (1976-Rs 1.0 million). After paying the interim dividend of Rs 6.8 million and the proposed final dividend of 13.0 million, the balance of Rs 12.4 million has been transferred to general reserve. A scheme for dilution of the shareholding of NV Philips' Gloeilampenfabrieken, Holland, has been submitted for approval to the government and is now under their consideration.

Atul Products

Atul Products has shown good working results for 1977 despite a fall in its net sales. The directors of the company have proposed to maintain the rate of dividend of 20 per cent on the capital as increased by the one-for-five bonus issue. The company's gross profit has increased to Rs 9.34 crore from Rs 8.62 crore for the previous year. Its gross sales at Rs 50.75 crore show a marginal fall compared to Rs 50.82 crore in 1976. Its net sales (net of excise) have been placed at Rs 42.81 crore against Rs 43.17 crore. The improvement in the profit margins seems to be because of the better product mix following sustained diversification of its activities. The company is expanding the capacity of its caustic soda, naphthol and other plants. The company's pre-tax profit for 1977 amounts to Rs 8.07 crore against Rs 7.30 crore after providing Rs 1.27 crore for depreciation. The liability is higher at Rs 4.03 crore against Rs 3.05 crore, leaving a lower after-tax profit of Rs 4.04 crore against Rs 4.25 crore. A sum of Rs 32 lakh is transferred to the investment allowance. The proposed dividend distribution will amount to Rs 1.18 crore against Rs 98.40 lakhs.

Scindia Steam

The annual general meeting of the Scindia Steam Navigation Company has been postponed to a date to be announced later as the company's accounts for the year ended June 30, 1977 have not yet been prepared because of the prolonged 64-days strike. Mr Jehangir P. Patel, a director who presided over the meeting recently stated that the accounts for the year were expected to be finalised before the end of June. Although the strike was over, a great deal of work pertaining to accounts was still to be accomplished.

Since the accounts were pending, he was in no position to give any indication of the working, "working figures would be far worse than no figures," he told shareholders. However, he added that 1978 was not expected to be as good as 1977 because of low freights and the international recession. He did not visualise any immediate improvement in the freight market. The company could not commit any of its ships for charter as the charter rates were depressed. Mr Patel stated that the interim dividend of Rs two per share represented the maximum payment under the situation.

ICICI

The Industrial Credit and Investment Corporation of India (ICICI) expects to maintain its progress during 1978. Sanctions are expected to be about 10 per cent more in 1977. The new growth factors arising from exports and rural development are considered promising.

The ICICI is planning to raise a Euro-dollar loan of dollar 20 million with the help of a consortium of international banks, including the Chartered Bank, the City Bank and some banks in West Germany and Japan. The rate of interest on this loan will be one per cent above the Euro-dollar rate, which is currently quoted at 7.5 per cent. The World Bank sanctioned line of credit for US dollar 80 million in 1977. The Housing Development Finance Corporation, promoted by the ICICI, has made good progress. The ICICI has already subscribed to Rs 50 lakhs shares of HDFC, apart from a standby assistance of Rs 50 lakhs of shares. The International Finance Corporation, Washington, will subscribe Rs 50 lakhs to the share capital. It has also agreed to make a matching contribution as is done by the ICICI. Besides HDFC will get a credit of 84 million from the IFC.

Despite none too favourable trends for industrial investment in general, gross sanctions of ICICI during 1977 amounted to Rs 127.15 crores against Rs 108.86 crores in 1976. Net sanctions were also higher at Rs 102.77 crores against Rs 94.55 crores. Assistance in rupees increased to Rs 76.71 crores from Rs 49.83 crores. Its gross income was higher at Rs 32.07 crores in 1977 against Rs 26.84 crores in 1976. The pre-tax profit was Rs 7.21 crores against Rs 6.20 crores and the net profit at Rs 4.51 crores against Rs 3.45 crores. Equity dividend been maintained at 12 cent.

Mr H.T. Parekh, chair told newsmen recently tha interest on bridging loans been reduced recently fro

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to 12 per cent. He said there was no likelihood of lowering of other interest rates following the recent downward revision of bank deposit and advance rates. Mr Parekh stated that the term financing institutions would continue to get good business. As the industrial base was sufficiently large, existing units would need increased finance for expansion and diversification. He said the inflationary impact of the recent budget proposal, would be around three per cent this year. The recent reduction in interest rates should help new issues.

Molins of India

Molins of India has proposed to maintain an equity dividend of 10 per cent for 1977. Its turnover has dropped by about 13 per cent, from Rs 2.46 crores to Rs 2.13 crores and the gross profit from Rs 56.26 lakhs to Rs 29.07 lakhs. Out of the gross profit, depreciation claims Rs 9.96 lakhs (Rs 11.88 lakhs), the net tax provision Rs 11.60 lakhs (Rs 24.82 lakhs) and the investment allowance Rs 5,000 (Rs 10,000). The proposed dividend will absorb Rs 10 lakhs.

Ceat Tyres

Ceat Tyres of India has recorded a moderate rise in sales from Rs 71.93 crores in 1976 to Rs 75.21 crores in 1977. The gross profit, however, has come down from Rs 3.08 crores to Rs 2.42 crores for the year 1977. An equity dividend of 10 per cent has been declared and is payable on the enlarged capital resulting from the issue of 55,660 equity bonus shares allotted in November 1976. The dividend for 1976 was 18 per cent. After providing Rs 107.21 lakhs (Rs 107.17 lakhs) for depreciation, Rs 5.35 lakhs (Rs 15.76 lakhs) for investment allowance and Rs 78 lakhs (Rs 92 lakhs) for taxation, the net profit works out at Rs 51.35 lakhs (Rs 93.23 lakhs). Dividends will absorb Rs 44.53 lakhs (Rs 70.13 lakhs). After adjustments, a sum of Rs 6.82 lakhs (Rs 75.88 lakhs) has been transferred to general reserve.

Rohit Mills

Rohit Mills has reported an increased gross profit of Rs 53.50 lakhs for 1977 against Rs 40.28 lakhs in the previous year. Sales have increased to Rs 16.85 crores from Rs 14.75 crores. A higher equity dividend of Rs 13 per share has been recommended against Rs 12 paid last year. After providing Rs 13.34 lakhs (Rs 13.05 lakhs) for depreciation, Rs 1.45 lakhs (Rs 4.75 lakhs) for investment allowance reserve and Rs 11.05 lakhs (Rs 10.50 lakhs) for taxation and after other adjustments, the net profit amounts to Rs 12.08 lakhs against Rs 12 lakhs last year.

Anil Starch

Anil Starch Products has reported improved working for 1977. Net sales have risen from Rs 12.08 crores in 1976 to Rs 15 crores in 1977. The gross profit was up by 27 per cent from Rs 87.38 lakhs to Rs 111.02 lakhs. An equity dividend of 18 per cent (including a special dividend of three per cent) has been declared for 1977. The additional special dividend of three per cent has been declared since due to inadequacy of profits in 1975 the directors were constrained to reduce the dividend from 15 per cent to 12 per cent. After providing Rs 31.18 lakhs (Rs 28.74 lakhs) for depreciation Rs 40,000 (Rs 20,000) for development rebate, Rs 5.30 lakhs (Rs 50,000) for investment allowance, the net profit has amounted to Rs 32.14 lakhs (Rs 26.94 lakhs). Equity dividends will absorb Rs 18 lakhs (Rs 15 lakhs) and preference dividends Rs 35,000 (same). A sum of Rs 9.99 lakhs (Rs 11.08 lakhs) has been transferred to general reserve.

Otis Elevator

Mr Keshub Mahindra, chairman of Otis Elevator Co (India), told the annual meeting in Bombay recently that the company's bookings in the first five months of the current year (October 1977 to February 1978) were about 30 per cent higher than those in the same period of the previous year. Completion of works during the period was better by 13 or 14 per cent as compared to the level in the corresponding period of 1976-77. He said after the previous year's encouraging performance, the company was posed to make a further headway in the current year.

Press Metal

Press Metal Corporation, an existing light engineering unit in Bombay, will issue on April 6, 250,000 equity shares of Rs 10 each at par. The proceeds of the fully underwritten issue will be utilised for financing partly the cost of the new Rs 39 lakhs project being set up at Madras, the cost of modernisation of the existing Bombay plant and for additional working capital.

The Madras unit is expected to be completed by August or September 1978 and the modernisation of the Bombay plant is expected to be over in a year's time. The Madras unit will cater to the needs of company's clients in the southern region including Ashok Leyland as also to the vehicles factory of the Defence department at Jabalpur.

The company has been the first Indian manufacturing unit to secure an order for supply of anodised aluminium trim components to be fitted as original equipment to cars manufactured by Renault of France. It has also received inquiries for various components from leading European auto giants, namely Volkswagenwerk of West Germany and Chrysler of France.

Modi Rubber

Modi Rubber has achieved sales of Rs 70.77 crores during the year ended October 1977. The company has earned a profit of Rs 594.10 lakhs for the year. After providing Rs 22.32 lakhs for depreciation and Rs 24.70 lakhs for investment allowance, the net profit amounted to Rs 247.08 lakhs. The unabsorbed depreciation as on October 31, 1977 amounted to Rs 290.86 lakhs and development rebate reserve to Rs 449 lakhs making a total of Rs 739.86 lakhs. In the first quarter of the current year (November 1977 to January 1978), sales have amounted to Rs 19 crores.

Modella Woollens

Modella Woollens, which proposes to maintain an equity dividend of 12 per cent for 1977, has encountered a setback in its operations for the year. Although its turnover consisting of sales and processing charges has improved from Rs 4.02 crores in 1976 to Rs 5.51 crores in 1977, the gross profit, has dropped from Rs 76.67 lakhs to Rs 65.35 lakhs, the principal reason for the fall being the loss incurred by the shoddy spinning unit at Thana.

RECORDS
AND
STATISTICS

Trends in India's foreign trade

According to the annual report of the ministry of Commerce for 1977-78, India's overall exports including re-exports during the year 1976-77 aggregated Rs 5143.35 crores, registering an increase of about 27.2 per cent over the exports of the previous year. In the case of imports, the increasing tempo of earlier year was reversed. Imports during the year totalled Rs 5074.36 crores showing a decline of 3.6 per cent as compared with Rs 5265.22 crores in the previous year.

WITH SIGNIFICANT growth in exports and fall in imports, India's balance of trade during the year 1976-77 was favourable to the extent of about Rs 68.99 crores in contrast with a deficit of Rs 1222.41 crores in 1975-76.

The latest available figures of India's foreign trade for the current year April-December 1977 reveal the increasing trend in exports. Overall exports including re-exports during this period amounted to Rs 3952.44 crores, representing a rise of 8.7 per cent over the performance in the corresponding period of the previous year.

Protectionist Trends

This has to be viewed in the context of growing trend towards protectionism in the developed countries and less favourable trading conditions obtaining in world market. Moreover, in regard to certain essential and mass consumption items like sugar, rice, oil/oilseeds, fresh vegetables and cement etc., it has been the government's deliberate policy not to allow exports in order to subserve the priorities or domestic consumption. The performance of exports has been significant particularly in respect of items like tea, coffee, tobacco, cashew kernels, spices, engineering goods and gems and jewellery etc. and of late jute manufactures are also reported to be doing well.

Rise in Imports

The imports during the first nine months (April-December 1977) at a provisional total of Rs 3917.92 crores were higher by about four per cent as compared to imports of Rs 3707.92 crores in the corresponding period of the previous year. However, import figure is likely to undergo a substantial upward revision on receipt of supplementary returns, particularly in respect of petroleum and petroleum products.

The movement of exports, imports and balance of trade for the last five years has been given in Table I.

Because of a sharp escalation in world prices of items like POL, food and fertilizers which had been the major imports of the country, there was phenomenal rise in the imports between 1973-74 and 1975-76 from Rs 2,955 crores to Rs 5,265 crores. Imports successively increased by 58 per cent in 1973-74 and by 53 per cent in 1974-75 and by another 16.5 per cent in 1975-76. However, with the improvement in the domestic production, particularly of foodgrains, fertilisers and iron and steel, the pressure on imports eased to a considerable extent during the year 1976-77 with the decline of about 3.6 per cent. The year 1976-77 thus marked a turning point in India's external trade transactions.

The relevant indices of exports show that both in 1975-76 and 1976-77 (unlike 1973-74 and 1974-75) the growth in the value of exports was contributed comparatively more by increase in the volume of exports than the rise in the realisation of unit value. As against an increase of 4.2 per cent and 6.4 per cent in 1973-74 and 1974-75, the volume index of exports during 1975-76 and 1976-77 increased by 10.5 per cent and 18.4 per cent respectively. But in the case of unit value realisation,
the trend was different. V
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in world market, the incr
in the unit value realisa
from exports during 19
76 and 1976-77 was of
order of only 7.7 per c
and 6.6 per cent whereas
increase was 21.7 per c
in 1973-74 and 25.4 per c
in 1974-75.

The rate of increase in
unit value of imports
generally exceeded the incre
in the unit value of expc
resulting in a continued dete
ration in net terms of tra
However, with the redu
volume of imports accom
nied by slight fall in the u
value of imports during 19
77 the deterioration in r
terms of trade, suffered in t
previous year, was arrested
1976-77. The relevant indic
of export/imports are shown
Table II.

The commodity-wise tren
of exports pertaining to t
year 1976-77 indicate improv
ment in the value of expo
of a number of items of bo

TABLE I

Foreign Trade

(Rs crore

Year/ period	Imports	Exports	Balance of trac
1973-74	2955.37	2523.40	(—)431.97
1974-75	4518 78	3328.83	(-–)1189.95
1975-76	5265.22	4042.81	(—)1222.41
*1976-77	5074.36	5143.35	(+)68.99
(a) April '77-Dec '77	3917.92	3952.44	(+)34.52
April '76-Dec '76	3767.70	3637.12	(—)130.58

*Revised to date (a) Provisional.

mary and manufactured ducts. During the year 6-77 as compared to 1975- the exports witnessed an pressive rise particularly respect of items like cotton tiles including cotton appa- from Rs 371.5 crores to 603.2 crores or by 62.4 per t, engineering goods from 413.0 crores to Rs 554.4 res or by 34.3 per cent, ndicrafts including gems d jewellery from Rs 252.0 res to Rs 404.8 crores or by .7 per cent, leather and nufactures including footar from Rs 220.7 crores to 290.2 crores or by 31.7 per nt, oilcakes from Rs 106.6 ores to Rs 256.5 crores or 140 per cent, fish from 127.2 crores to Rs 180.6 ores or by 42 per cent, chemical and allied products om Rs 85.3 crores to s 109.5 crores or by 28.3 r cent, coffee from Rs 66.7 rores to Rs 125.8 crores or 88.7 per cent (Table III).

nfavourable Conditions

The trading conditions in ternational markets during 976-77 continued to be unvourable particularly in spect of major exports like te manufactures and sugar. he world prices for sugar. egistered a marked decline uring the year and the unit lue realisation from jute anufactures. too, declined rther. Exports of sugar decned from Rs 472.3 crores in 975-76 to Rs 148.1 crores in 976-77. During the same eriod exports of jute manuctures fell from Rs 250.9 cror- to Rs 200.8 crores. There as also decline in the exports f silver to the extent of about per cent from Rs 187.9 ores in 1975-76 to Rs 151.5 ores in 1976-77 (Table IV).

The commodity-wise data for the first half of 1977-78 indicate a mixed trend. During this period exports showed a rising trend in respect of items like tea, coffee, spices, tobacco, cashew kernel, iron ore, chemical and allied products, cotton fabrics, jute manufactures, carpets, precious and semi-precious stones, machinery and transport equipment and metal manufactures etc. On the other hand, exports exhibited weakening trend in terms like sugar, oil/oilseeds, vegetables and fruits, cotton raw, cement, iron and steel, ready made garments, leather and leather manufactures and silver. The decline in some of these mass consumption category owed to the government's policy not to allow exports at the cost of home consumption.

Substantial Rise

Following a substantial rise during 1974-75 and 1975-76, India's overall imports during 1976-77 at Rs 5074.36 crores showed a decline of about 3.6 per cent. The combined imports of three major groups viz., foodgrains, POL and fertilisers manufactured accounted for about 58 per cent of India's total imports during 1975-76. But their share declined to 49 per cent in 1976-77. Due to improvement in domestic output the share of foodgrains declined from 25.5 per cent in 1975-76 to 17.3 per cent and fertilisers manufactured from 8.9 per cent to 3.9 per cent. In the case of POL there was, however, increase in share from 23.3 per cent to 27.8 per cent.

In terms of absolute value the items which showed increase during 1976-77 as compared to 1975-76 included mainly POL (+15 per cent), machinery (+9 per cent), transport equipment (+13 per cent), non-ferrous metals (+59 per cent), raw cotton (+356 per cent), edible oils (+549 per cent), chemicals, elements and compounds (+17 per cent), paper and board (+8 per cent), synthetic and regenerated fibres (+370 per cent), plastic material (+40 per cent) and raw wool (+8 per cent). These increases in imports were, however, offset by decline in imports of a number of other items. These included mainly cereals and cereal preparations (—35 per cent), fertilisers manufactured (—58 per cent), iron and steel (—29 per cent), manufactures of metals (—9 per cent), precious and semi-precious stones (—4 per cent), raw cashewnuts (—46 per cent).

The provisional figures of imports for the first three quarters of 1977-78 (April-December) placed overall im-

TABLE II

Indicies of Exports and Imports

(Base year 1968-69-100)

Year	Unit value		Quantum		Terms of trade (Net)
	Export	Import	Export	Import	
1972-73	120	97	120	99	124
1973-74	146	133	125	114	106
1974-75	183	239	133	100	77
1975-76	197	280	147	99	70
1976-77	210	278	174	97	76

TABLE III

Items Showing Increase in Exports

(Rs crores)

	1976-77	April-September	
		1976	1977
Tea	293.1	113.0	267.6
Coffee	125.8	59.2	122.8
Spices	74.8	20.8	45.3
Tobacco	96.8	74.0	86.4
Chshew kernel	106.0	68.9	106.4
Iron ore	238.5	93.8	102.5
Chemicals and allied products	109.5	48.2	62.5
Rubber and rubber mfrs.	11.5	12.9	13.9
Cotton fabrics	266.7	112.8	122.3
Cotton yarn	31.6	11.9	12.5
Carpets	71.3	29.1	40.2
Jute manufactures	200.8	85.0	111.5
Wood cork manufactures thereof	31.5	11.7	13.2
Precious and semi-precious stones	287.0	91.3	204.2
Machinery and transport equipment	298.8	141.2	150.6
Metal manufactures	157.0	75.9	87.4
Coir manufactures	24.0	11.2	11.4
Feeding stuff for animals	256.5	93.6	106.9
Fish	180.6	87.9	88.1

ports at Rs 3917.92 crores, an increase of about four per cent as compared to the level of imports of Rs 3767.70 crores in the corresponding period of the previous year. However, these import figures are likely to undergo an upward revision considerably on the receipt of complete returns in respect of government accounts.

The composition of import statistics for the first half of 1977-78 indicates a sharp decline in cereal and cereal preparations to Rs 42 crores from Rs 479 crores in April-September 1976. Imports of POL, iron and steel and non-ferrous metals and to some extent machinery and transport equipment also showed decline. The Import Policy for the year 1977-78 was further made liberal so as to meet the requirements of economy for imported raw materials, components, spares and equipment as well as augmenting the availability of certain mass consumption items in short supply. In view of this it is quite likely that the present decline in imports of items pertaining to raw materials, machinery and transport equipment and other maintenance imports during the first half may be reversed in the second half of 1977-78.

Edible Oils

Imports were particulary heavy in the case of edible oils, cotton, man-made fibres in order to enhance domestic availability and thereby to control prices of these items. The other items like chemicals, elements and compounds, medicinal and pharmaceuticals, paper and paper board, plastic materials, fertilisers manufactured, rough precious and semi-precious stones also showed increases in varying degrees.

Import licences worth Rs 5375 crores were issued during April-December 1977 as against Rs 2825 crores in the corresponding period of 1976. Of the licences issued in April-October 1977 about 75 per cent were against free foreign exchange, taking advantage of the comfortable foreign exchange position.

The trend of imports in respect of principal items/groups for the last three years is indicated in Table V.

Marked Increase

The year 1976-77 was marked by increase in India's exports to almost all the regions of the world but the rise was most impressive in the case of exports to west Europe particularly to ECM and rest of Asia and Oceania. Exports to ECM increased by 64 per cent from Rs 851 crores in 1975-76 to Rs 1394 crores in 1976-77. The increases in exports to other regions/sub-regions were —rest of west Europe by 51 per cent from Rs 140 crores to Rs 212 crores, ESCAP by six per cent from Rs 1182 crores to Rs 1250 crores, rest of Asia and Oceania by 71 per cent from Rs 341 crores to Rs 582 crores, Africa by 15 per cent from Rs 271 crores to Rs 311 crores, North America by 11 per cent from Rs 563 crores to Rs 626 crores and to east Europe by 11 per cent from Rs 657 crores to Rs 732 crores.

The UK continued to be the biggest market for Indian products in ECM followed by Federal Republic of Germany, the Netherlands, France, Italy, Belgium, Denmark and Ireland in 1976-77. Exports to the UK during 1976-77 amounted to Rs 521 crores as compared with Rs 420 crores in 1975-76 i.e. an increase of 24 per cent. The principal items of India's

TABLE IV

Items Showing Decline in Exports

(Rs

	1976-77	April-Sept
		1976
Sugar	148.1	89.6
Oilseeds	71.2	37.5
Cotton raw	27.0	26.6
Ores and minerals other than iron ore, manganese ore etc.	55.2	24.7
Manganese ore	19.1	5.1
Mica	17.4	8.4
Mixed vegetable oils and fats	50.1	33.67
Leather and leather manufactures	264.1	135.1
Cement	28.8	9.5
Iron and steel	292.3	188.4
Readymade garments	265.0	161.5
Footwear	29.5	12.1

TABLE V

India's Imports of Prinicpal Commodities

(Rs c

S.No.	Commodities	1975-76	1976-77	April-Septe
				1976
1.	Cereals & cereal preparations	1342.8	878.6	478.83
2.	Edible oils	15.50	100.61	38.18
3.	Cotton raw	28.2	NA	14.09
4.	Synthetic and regenerated fibres	6.4	30.1	2.51
5.	Minerals, fuels, lubricants and related products	1226.0	1412.1	651.74
6.	Fertilisers manufactured	469.4	197.7	55.11
7.	Pearls, precious and semi-precious stones	83.87	80.64	76.46
8.	Iron and steel	311.9	220.5	122.95
9.	Non-ferrous metals	100.4	159.8	72.12
10.	Chemicals, elements and compounds	117.37	137.21	62.70
11.	Machinery	777.5	845.8	399.27
12.	Transport equipment	157.1	176.8	70.11

exports to this area included tea, tobacco, leather, cotton manufactures, clothing, oilcakes and more recently machinery and transport equipment and chemicals, etc.

In the region of North America, the USA is a predominantly important market whose offtake during 1976-77 amounted to Rs 576 crores, showing an increase of about 11 per cent over the exports in the previous year.

The principal items of exports to the USA included jute manufactures, clothing, cotton manufactures, fish, coffee, sugar, leather and leather manufactures, manufactures of metals, tea, precious stones, iron and steel machinery and transport equipment, chemicals, etc.

Over 60 per cent of India's total exports to east Europe is absorbed by USSR. Exports to the USSR during 1976-77 at Rs 446 crores, increased by about 11 per cent over the exports of Rs 417 crores in 1975-76. India's main exports to USSR during 1976-77 comprised tea, jute manufactures, leather and leather products, cotton manufactures, tobacco and spices. In the sphere of non-traditional sectors like machinery and transport equipment, iron and steel, clothing and chemicals, the demand from the USSR has tended to be significant. Next to the USSR the other important markets of the region included Poland, Czechoslovakia, GDR, Romania, Bulgaria and Hungary.

Exports to African region increased by about 15 per cent during 1976-77 as compared to previous year. Arab Republic of Egypt is the biggest buyer of Indian goods in this region followed by Sudan, Nigeria, Tanzania, Kenya, Libya, Mauritius and Zambia, in 1976-77.

The offtake by Asia and Oceania during 1976-77 increased by about 20 per cent. In the case of ESCAP, the increase was about six per cent from Rs 1182 crores in 1975-76 to Rs 1250 crores in 1976-77, whereas in respect of rest of Asia and Oceania the rise was as much as 71 per cent when exports rose from Rs 341 crores to Rs 582 crores. Japan which alone accounted for 44 per cent of total exports to ESCAP in 1976-77 was followed by Iran and Australia with shares of 12 per cent and five per cent. At a total of Rs 544 crores in 1976-77 India's exports to Japan witnessed an increase of 26 per cent over the previous year. Ores and fish constitute the major items in our exports to Japan. The other items include jute manufactures, tobacco, iron and steel, pearls, precious and semi-precious stones and cashew kernels. Our exports to Iran, however, suffered a set-back in 1976-77 when exports declined from Rs 273 crores in 1975-76 to Rs 146 crores in 1976-77. This decline was mostly on account of steep fall in the exports of sugar.

India's exports to rest of Asia constituting mostly West Asian countries have been expanding in recent years. Of India's total exports to this region during 1976-77 ARE accounted for 28 per cent, Kuwait 20 per cent, Saudi Arabia 13 per cent and Iraq 8 per cent. As compared to 1975-76, exports to ARE increased by about 152 per cent from Rs 66 crores to Rs 167 crores, Kuwait by 148 per cent from Rs 47 crores to Rs 117 crores, Saudi Arabia by 27 per cent

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from Rs 60 crores to Rs 76 crores but in the case of Iraq, exports declined by 26 per cent from Rs 64 crores to Rs 47 crores in 1976-77. With substantial increase in oil revenues consequent on the increase in oil prices, oil producing countries of the West Asia have embarked on massive plans of development involving development of infrastructure and industries. This has created a big market for supply of goods as will as services.

Significant Development

A significant development in India's external trade with west Europe particularly ECM has been a shift from a deficit of Rs265 crores in 1975-76 to a surplus of Rs 482 crores in 1976-77. It has been unusual that this time India's exports to ECM exceeded the level of imports. The relative share of ECM in India's total exports significantly improved from 21 per cent in 1975-76 to 28 per cent in 1976-77. Alike 1975-76 India's foreign trade continued to maintain some amount of surplus in respect of east Europe, ESCAP and African region and deficit in her trade with North America and rest of Asia and Oceania.

The trading conditions in international market were less favourable in 1977-78. The directionwise statistics of exports for the first half of 1977-78 indicated slowing down in the growth rate of exports with all the regions except with east Europe. During April-September 1977 as compared with April-September 1976 India's exports to ECM increased by about only five per cent, to ESCAP five per cent and to rest of Asia and Oceania by 16 per cent. The growth rate of exports remained almost the same at about 14.7 per cent in the case of Africa and about 11.2 per cent in the case of North America. The trend of exports was, however, very encouraging in the case of east Europe when the exports during April-September 1977 at Rs 475 crores indicated an increase of 30 per cent over the exports of Rs 365 crores in April-September 1976. The increase was particularly noticeable in India's exports to USSR where the rise was of the order of about 53 per cent from Rs 225 crores to Rs 346 crores (Table VI).

India's external economic relations witnessed further strengthening of bilateral relations with neighbouring countries like Bangladesh, Nepal, Burma, Sri Lanka, Afghanistan and Iran, and opening up of trade channels with Pakistan and China.

Normalisation of trade with People's Republic of China was reflected in 1977 by way of trade contacts and exchange. As a result of Indian participation in the Canton fairs (April-May 1977 and October-November 1977), the volume of trade contracted with China amounted to Rs 3.94 crores consisting of import of zinc, antimony metal and mercury and exports of pig iron and shellac. Indo-Pakistan trade which was resumed in 1975 and earlier restricted to the state trading agencies of both sides was thrown open to private trade with effect from July 15, 1976. The trade relations have undergone further changes as a result of trade review talks between India and Pakistan held in New Delhi during April 1977. India's exports to Pakistan during the year 1976-77 amounted to Rs 8.97 crores. The trade has tended to expand and during the first six months of 1977-78 exports re a level of Rs 8.0 crores. N items of exports from Inc Pakistan are tea, engine goods, iron and steel man tures, coal, cement and l leaf, etc. Efforts are un way to diversify India's im from Pakistan and new i are being identified. Du the first half of 1977-78 exp to Bangladesh were value Rs 25.63 crores.

Exports to Nepal du 1976-77 were of the value Rs 51.66 crores and du the first half of 1977-78 exp amounted to Rs 24.31 cro The offtake of Sri Lanka been rising. India's exports Sri Lanka which amounted Rs 23.10 crores in 1975 increased to Rs 39.35 cro in 1976-77 and during the fi half of 1977-78 exports to th country stood at Rs 24. crores.

TABLE VI

Direction of India's Foreign Trade

(Rs crores

Region	Exports				Imports			
	1975-76	1976-77	April-Sept.		1975-76	1976-77	April-Sept	
			1976	1977			1976	197
I. West Europe	992	1605	689	705	1256	1123	549	740
(i) ECM	851	1394	598	626	1096	965	488	639
II. Asia and Oceania	1523	1834	789	851	1777	1994	922	859
(i) ESCAP	1182	1250	545	572	1064	1195	533	572
(ii) Rest of Asia & Oceania	341	582	241	279	713	799	389	287
III. Africa	271	311	168	193	114	215	93	140
IV. America	583	649	318	352	1552	1235	640	475
(i) North America	563	626	305	341	1517	1189	612	408
V. East European countries	657	732	365	457	566	502	217	178

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Printed and Published by **R. P. Agarwala** on behalf of the Eastern Economist Ltd., United Commercial Bank Building, Parliament Street, New Delhi, at the New India Press, K-Block Connaught Circus, New Delhi.
Editor : **V. Balasubramanian**
Registered at the GPO, London, as a newspaper.

Registered with the Registrar of Newspapers for India under No. R.N. 535/

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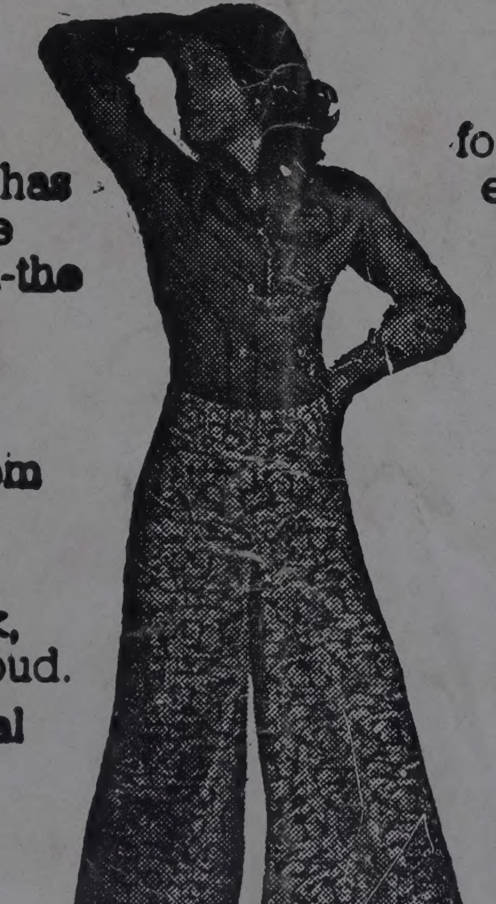

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